

RESOLUTION NO. 25-2023

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF PRELIMINARY LIMITED OFFERING MEMORANDUMS FOR SPECIAL ASSESSMENT REVENUE BONDS ISSUED FOR THE SOLTERRA PUBLIC IMPROVEMENT DISTRICT AND RESOLVING OTHER MATTERS INCIDENT AND RELATED THERETO.

WHEREAS, the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended (the “PID Act”) authorizes the City of Mesquite, Texas (the “City”), to create a public improvement district; and

WHEREAS, on April 5, 2021 the City Council of the City (the “City Council”) created the “Solterra Public Improvement District” (the “PID”); and

WHEREAS, the City intends to issue three series of bonds to be designated (i) “City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2023 (Solterra Public Improvement District Improvement Area A-1 Projects),” (ii) “City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2023 (Solterra Public Improvement District Improvement Area C-1 Projects),” and (iii) “City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2023 (Solterra Public Improvement District Improvement Area C-2 Projects),” (collectively, the “Bonds”) to pay for or reimburse certain public improvements in the PID, as authorized by the PID Act; and

WHEREAS, the City Council has been presented three Preliminary Limited Offering Memorandums relating to the Bonds (the “Preliminary Limited Offering Memorandums”); and

WHEREAS, the City Council finds and determines that it is necessary and in the best interests of the City to approve the form and content of the Preliminary Limited Offering Memorandums and authorize the use of the Preliminary Limited Offering Memorandums in the offering and sale of the Bonds by the Underwriter of the Bonds, FMSbonds, Inc., under the conditions outlined herein.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS:

SECTION 1. That the form and content of the Preliminary Limited Offering Memorandums, the form of which is attached hereto as Exhibit 1 and incorporated herein by reference, are hereby approved with such changes, addenda, supplements or amendments as may be approved by the City Manager.

SECTION 2. That the City hereby authorizes the Preliminary Limited Offering Memorandums to be used by FMSbonds, Inc. (the “Underwriter”), in connection with the initial marketing and sale of the Bonds; provided that such Preliminary Limited Offering Memorandums

shall not be released to the public without the approval of the City Manager, which approval shall be made in consultation with Hilltop Securities, Inc., the City's Financial Advisor, and Bracewell, the City's Bond Counsel.

SECTION 3. That the City Council hereby delegates to the City Manager the authority to approve release of the Preliminary Limited Offering Memorandums to the public for use in marketing the Bonds under the conditions outlined herein.

SECTION 4. That City staff is authorized and directed to do all things proper and necessary to carry out the intent hereof.

SECTION 5. That this Resolution shall become effective from and after its date of passage in accordance with law.

DULY RESOLVED by the City Council of the City of Mesquite, Texas, on the 20th day of June 2023.

DocuSigned by:  
*Daniel Aleman Jr.*  
D999585317D142B...

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Daniel Alemán, Jr.  
Mayor

ATTEST:

DocuSigned by:  
*Sonja Land*  
C2518095973F46A...

---

Sonja Land  
City Secretary

APPROVED:

DocuSigned by:  
*David Paschall*  
666E18891208434...

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David L. Paschall  
City Attorney

## **EXHIBIT 1**

### **PRELIMINARY LIMITED OFFERING MEMORANDUM (Solterra)**

**PRELIMINARY LIMITED OFFERING MEMORANDUM DATED JUNE 28, 2023**

PROSPECTIVE PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND "ACCREDITED INVESTORS" AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT. SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT IN RELIANCE UPON THE EXEMPTION PROVIDED BY SECTION 3(A)(2) THEREIN. NO ACTION HAS BEEN TAKEN TO QUALIFY THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY STATE. SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN.

*In the opinion of Bond Counsel, defined below, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not a specific preference item for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.*

**\$33,425,000\***

**CITY OF MESQUITE, TEXAS,  
(a municipal corporation of the State of Texas located in Dallas and Kaufman Counties)  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2023  
(SOLTERRA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA A-1 PROJECTS)**

**Dated Date: July 1, 2023****Due: September 1, as shown on the inside cover****Interest to Accrue from Date of Delivery**

The City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2023 (Solterra Public Improvement District Improvement Area A-1 Projects) (the "Bonds"), are being issued by the City of Mesquite, Texas (the "City"). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$25,000 of principal amount and any integral multiple of \$1,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover page hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on each March 1 and September 1, commencing March 1, 2024, until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by Wilmington Trust, National Association, Dallas, Texas, as trustee (the "Trustee"), to DTC as the registered owner thereof. See "BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), an ordinance expected to be adopted by the City Council of the City (the "City Council") on July 17, 2023, and an Indenture of Trust, dated as of July 1, 2023 (the "Indenture") entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the Improvement Area A-1 Project Costs (as defined in the Indenture), (ii) paying capitalized interest on the Bonds, (iii) funding the Bond Reserve Account of the Reserve Fund, (iv) funding a portion of the Delinquency and Prepayment Reserve Account, (v) paying a portion of the costs incidental to the organization and administration of the District, and (vi) paying the costs of issuance of the Bonds. See "THE IMPROVEMENT AREA A-1 PROJECTS" and "APPENDIX A — Form of Indenture." Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds, when issued and delivered, will constitute valid and binding special obligations of the City payable solely from and secured by the Pledged Revenues, consisting primarily of Assessments (as defined herein) levied against assessable properties in Improvement Area A-1 of the District in accordance with a Service and Assessment Plan, and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein. The Bonds are not payable from funds raised or to be raised from taxation. See "SECURITY FOR THE BONDS."

The Bonds are subject to redemption at the times, in the amounts, and at the redemption prices more fully described herein under the subcaption "DESCRIPTION OF THE BONDS — Redemption Provisions."

**The Bonds involve a significant degree of risk, are speculative in nature and are not suitable for all investors. See "BONDHOLDERS' RISKS" and "SUITABILITY FOR INVESTMENT." Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should consult with their legal and financial advisors before considering a purchase of the Bonds, and should be willing to bear the risks of loss of their investment in the Bonds. The Bonds are not credit enhanced or rated and no application has been made for a rating on the Bonds.**

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE "SECURITY FOR THE BONDS."

This cover page contains certain information for quick reference only. It is not a summary of the Bonds. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Braecwell LLP, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See "APPENDIX C — Form of Opinion of Bond Counsel." Certain legal matters will be passed upon for the Underwriter by its counsel, Locke Lord LLP, and for the Master Developer by its counsel Polsinelli, PC, and its special counsel, Shupe Ventura, PLLC. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about \_\_\_\_\_, 2023 ("Date of Delivery").

**FMSbonds, Inc.**

\* Preliminary; subject to change.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS, AND CUSIP NUMBERS**

CUSIP Prefix: \_\_\_\_\_ (a)

\$33,425,000\*

CITY OF MESQUITE, TEXAS,

(a municipal corporation of the State of Texas located in Dallas and Rockwall Counties)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2023

(SOLTERRA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA A-1 PROJECTS)

\$ \_\_\_\_\_ % Term Bonds, Due September 1, 20\_\_, Priced to Yield \_\_\_\_%; CUSIP Suffix \_\_\_\_ (a) (b) (c)

\$ \_\_\_\_\_ % Term Bonds, Due September 1, 20\_\_, Priced to Yield \_\_\_\_%; CUSIP Suffix \_\_\_\_ (a) (b) (c)

\* Preliminary; subject to change.

(a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.

(b) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 1, 20\_\_, at a redemption price equal to the principal amount of Bonds to be called for redemption plus accrued and unpaid interest to the date of redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

(c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

**CITY OF MESQUITE, TEXAS  
CITY COUNCIL**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Daniel Aleman, Jr.	Mayor	November 2023
Jeff Casper	Councilmember	November 2023
Jennifer Vidler	Councilmember	November 2023
Debbie Anderson	Councilmember	November 2023
Kenny Green	Councilmember	November 2023
Tandy Boroughs	Councilmember	November 2023
B.W. Smith	Councilmember	November 2023

<b>CITY MANAGER</b>	<b>ASSISTANT CITY MANAGER</b>	<b>ASSISTANT CITY MANAGER</b>	<b>CITY SECRETARY</b>	<b>DIRECTOR OF FINANCE</b>
Cliff Keheley	Chris Sanchez	Raymond Rivas	Sonja Land	Cindy Smith

**ADMINISTRATOR**  
P3 Works, LLC

**FINANCIAL ADVISOR TO THE CITY**  
Hilltop Securities Inc.

**BOND COUNSEL**  
Bracewell LLP

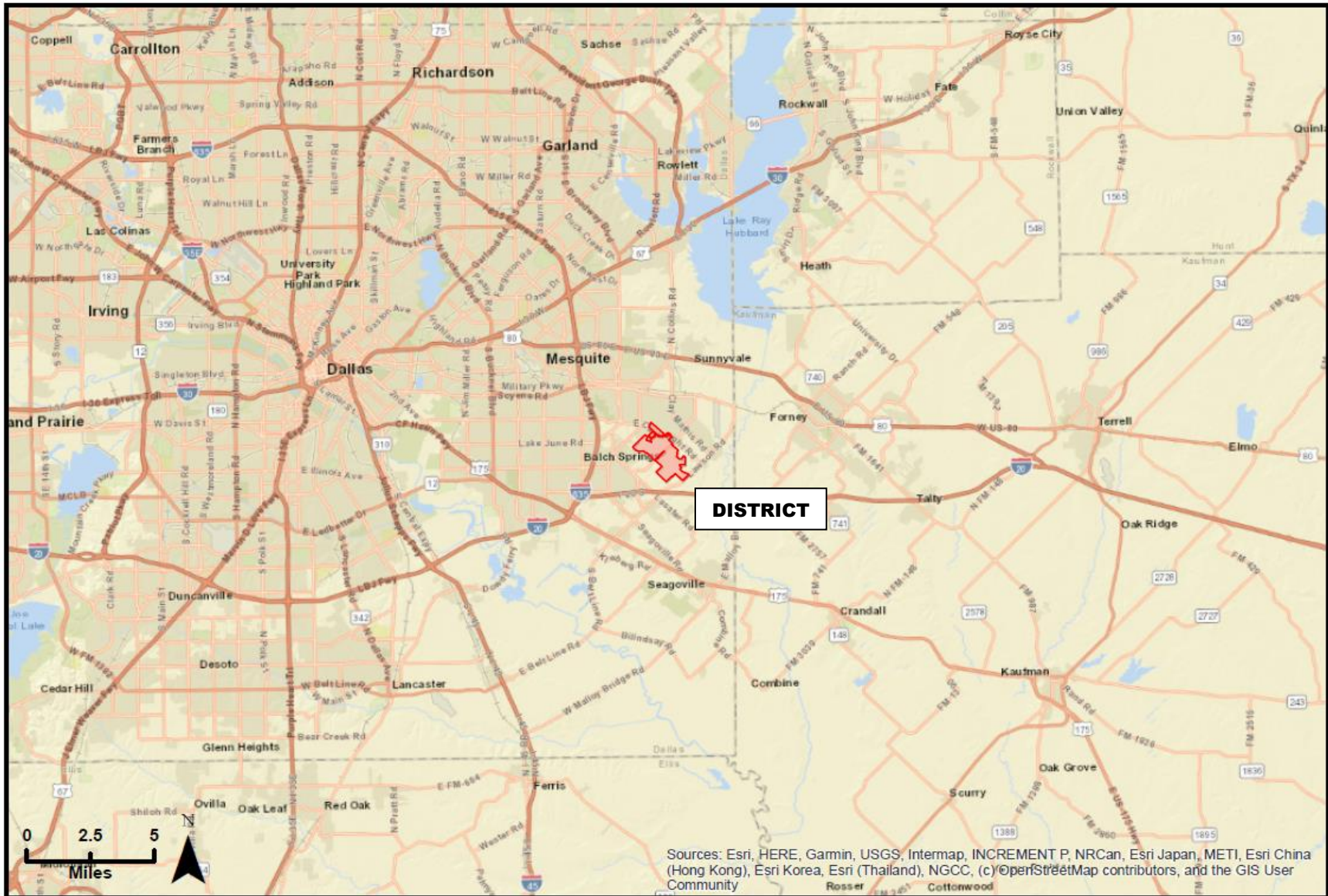
**UNDERWRITER'S COUNSEL**  
Locke Lord LLP

For additional information regarding the City, please contact:

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City Manager  
City of Mesquite, Texas  
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Mesquite, Texas 75185  
(972) 216-6404  
ckeheley@cityofmesquite.com

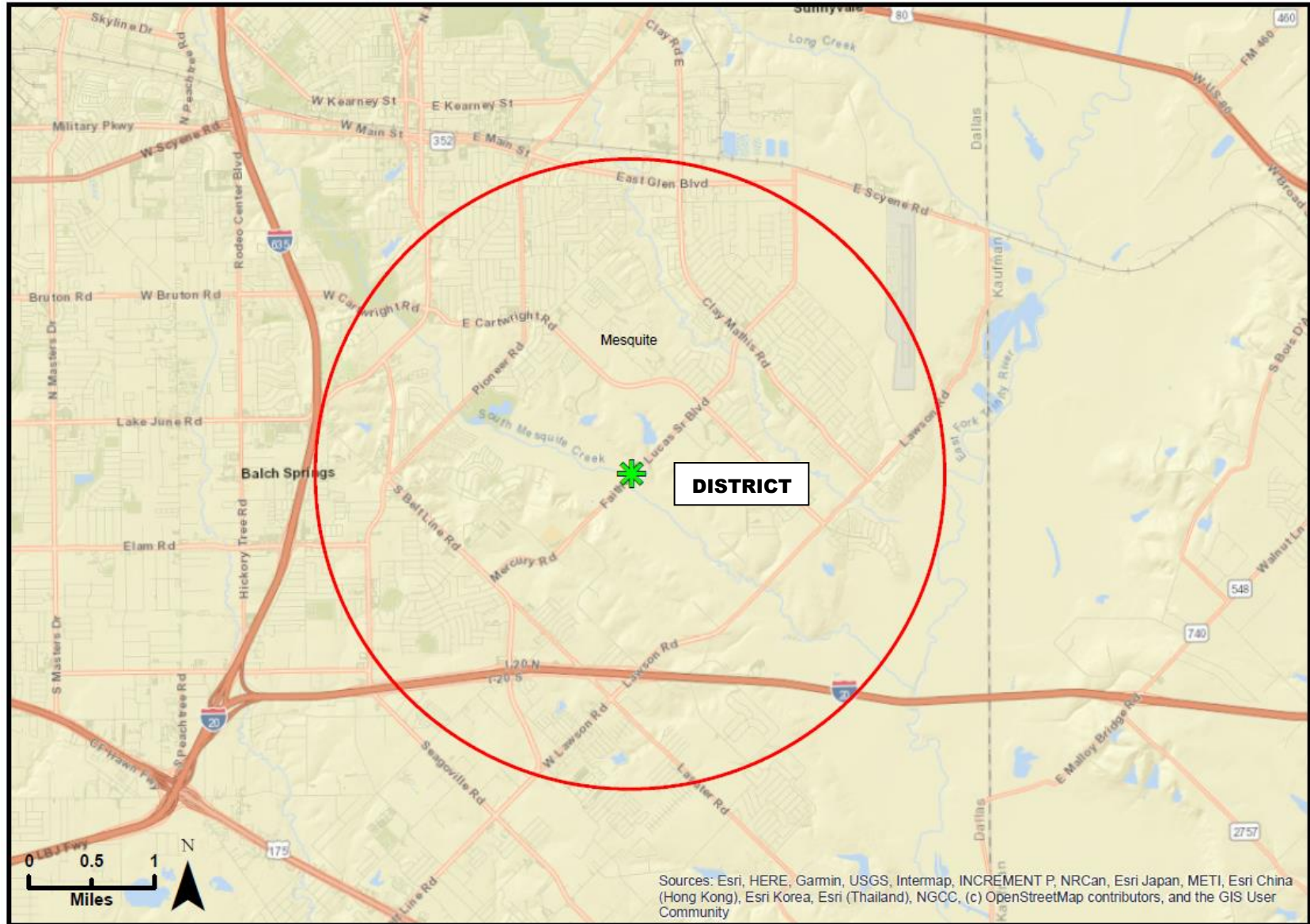
Jason Hughes  
Hilltop Securities Inc.  
717 N. Harwood Street  
Suite 3400  
Dallas, Texas 75201  
(214) 953-8707  
Jason.Hughes@hilltopsecurities.com

### REGIONAL LOCATION MAP OF THE DISTRICT



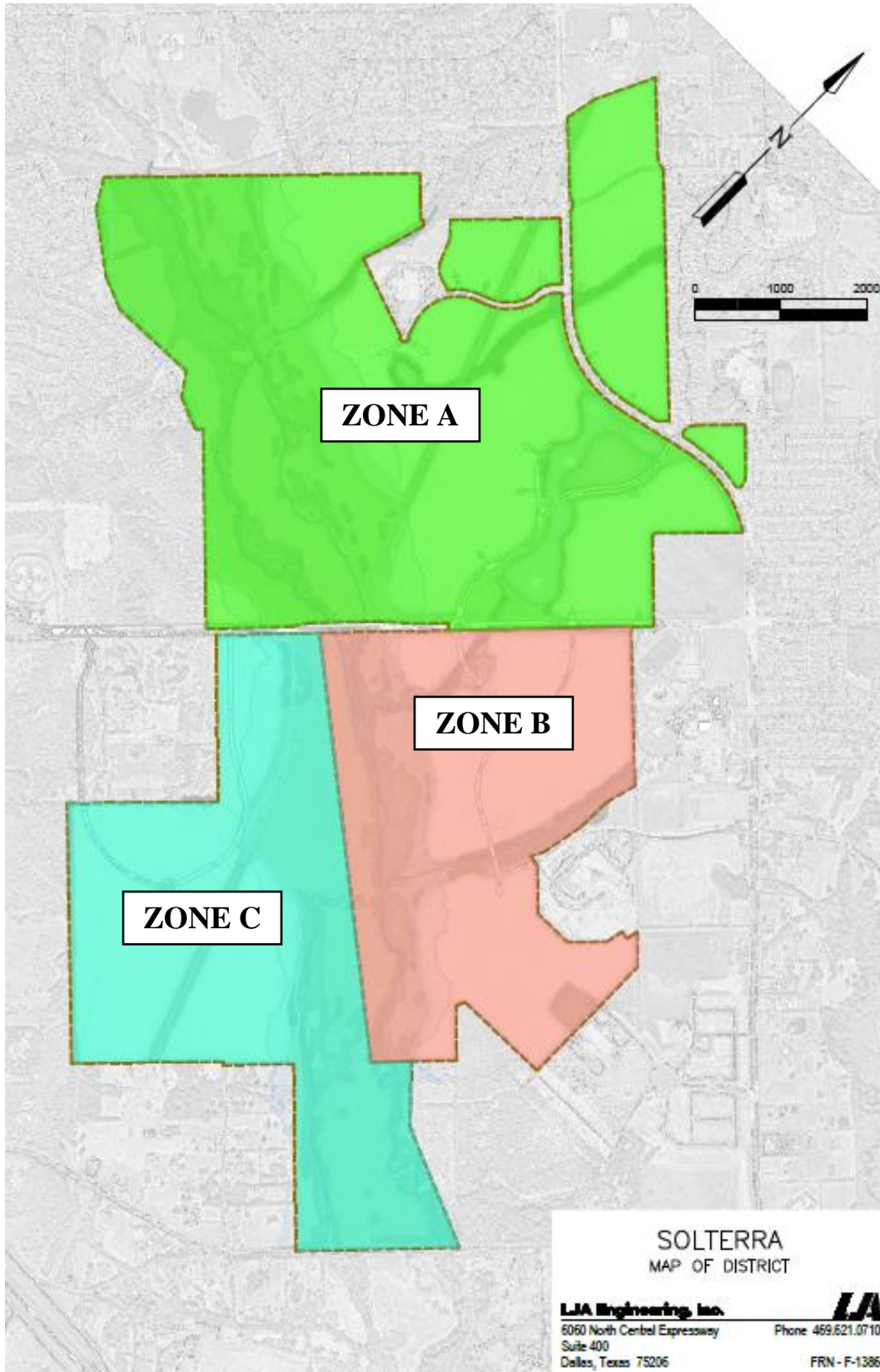


### AREA LOCATION MAP





**MAP SHOWING BOUNDARIES OF THE DISTRICT AND IMPROVEMENT ZONES**



*FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AS AMENDED AND IN EFFECT ON THE DATE OF THIS PRELIMINARY LIMITED OFFERING MEMORANDUM, THIS DOCUMENT CONSTITUTES A PRELIMINARY OFFICIAL STATEMENT OF THE CITY WITH RESPECT TO THE BONDS THAT HAS BEEN DEEMED "FINAL" BY THE CITY AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.*

THE INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THE LIMITED OFFERING MEMORANDUM ARE BEING OFFERED AND SOLD ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT OF 1933") AND "ACCREDITED INVESTORS" AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN. EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS, MUST BE ABLE TO BEAR THE ECONOMIC AND FINANCIAL RISK OF SUCH INVESTMENT IN THE BONDS, AND MUST BE ABLE TO AFFORD A COMPLETE LOSS OF SUCH INVESTMENT. CERTAIN RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS ARE SET FORTH UNDER "BONDHOLDERS' RISKS" HEREIN. EACH PURCHASER, BY ACCEPTING THE BONDS, AGREES THAT IT WILL BE DEEMED TO HAVE MADE THE ACKNOWLEDGMENTS AND REPRESENTATIONS DESCRIBED UNDER THE HEADING "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS."

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER OF THE FOREGOING. THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL BE NO OFFER, SOLICITATION OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND HAS BEEN OBTAINED FROM SOURCES, INCLUDING THE MASTER DEVELOPER AND LENNAR, WHICH ARE BELIEVED BY THE CITY AND THE UNDERWRITER TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM, NOR ANY SALE MADE HEREUNDER, SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY, THE MASTER DEVELOPER OR LENNAR SINCE THE DATE HEREOF.

NEITHER THE CITY, THE CITY'S FINANCIAL ADVISOR NOR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH LAWS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THEY MAY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF SUCH JURISDICTIONS, OR ANY OF THEIR AGENCIES, HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT OF 1933. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "ANTICIPATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS

EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS LIMITED OFFERING MEMORANDUM AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM OR THE RELATED TRANSACTIONS AND DOCUMENTS OR FOR ANY FAILURE BY ANY PARTY TO DISCLOSE EVENTS THAT MAY HAVE OCCURRED AND MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

REFERENCES TO WEBSITE ADDRESSES PRESENTED HEREIN ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER’S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEBSITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS LIMITED OFFERING MEMORANDUM FOR PURPOSES OF, AND AS THAT TERM IS DEFINED IN, RULE 15C2-12.

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**PRELIMINARY LIMITED OFFERING MEMORANDUM**

**\$33,425,000\***

**CITY OF MESQUITE, TEXAS,**

**(a municipal corporation of the State of Texas located in Dallas and Kaufman Counties)**

**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2023**

**(SOLTERRA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA A-1 PROJECTS)**

**INTRODUCTION**

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Mesquite, Texas (the “City”), of its \$33,425,000\* aggregate principal amount of Special Assessment Revenue Bonds, Series 2023 (Solterra Public Improvement District Improvement Area A-1 Projects) (the “Bonds”).

PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “SUITABILITY FOR INVESTMENT” and “BONDHOLDERS’ RISKS.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be enacted by the City Council of the City (the “City Council”) on July 17, 2023 (the “Bond Ordinance”), an Indenture of Trust, dated as of July 1, 2023 (the “Indenture”) entered into by and between the City and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds will be secured by a pledge of and lien upon the Trust Estate (as defined in the Indenture) consisting primarily of assessments levied against Assessed Property (as defined herein) located in Improvement Area A-1.1 (the “Improvement Area A-1.1 Assessments”), Improvement Area A-1.2 (the “Improvement Area A-1.2 Assessments”), and Improvement Area A-1.3 (the “Improvement Area A 1.3 Assessments”, and together with the Improvement Area A-1.1 Assessments and Improvement Area A-1.2 Assessments, referred to collectively as the “Assessments”) of the Solterra Public Improvement District (the “District”) for the Improvement Area A-1 Projects (as defined herein) pursuant to a separate ordinance expected to be enacted by the City Council on July 17, 2023 (the “Assessment Ordinance”). The City created the District pursuant to a resolution adopted by the City Council on April 5, 2021 (the “Creation Resolution”).

Reference is made to the Indenture for a full statement of the authority for, and the terms and provisions of, the Bonds. All capitalized terms used in this Limited Offering Memorandum that are not otherwise defined herein shall have the meanings set forth in the Indenture. See “APPENDIX A — Form of Indenture.”

Set forth herein are brief descriptions of the City, the District, the Administrator (as defined herein), the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the TIRZ Creation Ordinance (as defined herein), the TIRZ Project and Finance Plan (as defined herein), the Solterra Development Agreement by and between the City and HC Solterra, LLC, a Texas limited liability company (the “Master Developer”) dated October 19, 2020, as amended by that Solterra First Amendment to Development Agreement dated as of March 15, 2021 and further amended by that Solterra Second Amendment to Development Agreement dated as of February 20, 2023 (together, the “Development Agreement”), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas 75034, Phone: (214) 302-2245. The Form of Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears in APPENDIX B. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the

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\* Preliminary; subject to change.

other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

## **PLAN OF FINANCE**

### **The District**

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries and extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Improvement Area A-1 Projects, authorized by the PID Act and approved by the City Council, that confer a special benefit on the Assessed Property within the District. The District is not a separate political entity from the City but rather reflects an area within the City that City Council has designated and within which the City is authorized to levy assessments for public improvements. The District is located entirely within the corporate limits of the City. See “THE DISTRICT — Powers and Authority.”

### **Development Plan, Status of Development and Plan of Finance**

The District is composed of approximately 1,424.398 acres which are being developed in multiple phases as a master-planned residential community commonly known as Solterra (the “Development”) which is expected to consist of 3,324 single-family residential lots in varying sizes at buildout. See “THE DEVELOPMENT.” The District is divided into three zones: “Improvement Zone A,” “Improvement Zone B,” and “Improvement Zone C” (collectively, the “Improvement Zones”). Each Improvement Zone is expected to be further subdivided into separate improvement areas. Improvement Zone A consists of 721.818 acres, which includes the 257.640 acres designated as “Improvement Area A-1” (which consists of Improvement Area A-1.1, Improvement Area A-1.2 and Improvement Area A-1.3, each as defined herein) and the approximately 464.178 acres designated as the “Improvement Zone A – Remainder Property.” Improvement Area A-1 is further subdivided into three areas designated as “Improvement Area A-1.1” consisting of approximately 69.573 acres made up of smaller phases (“Phases”) known as 1A, 1B and 1C; “Improvement Area A-1.2” consisting of approximately 123.11 acres made up of Phases 1D, 1E, and 1F; and, “Improvement Area A-1.3” consisting of approximately 17.153 acres made up of Phase 1G. The remaining approximately 47.804 acres known as Phase 1H within Improvement Area A-1 will be open space areas with the exception of approximately 8.33 acres currently anticipated to be used for an amenity center. Improvement Zone B consists of approximately 285.50 acres. Improvement Zone C consists of 417.08 acres, which includes the 90.988 acres designated as “Improvement Area C-1,” the 38.882 acres designated as “Improvement Area C-2,” the 34.79 acres designated as “Improvement Area C-3,” and the approximately 252.42 acres designated as the “Improvement Zone C – Remainder Property.” The boundaries of the District and the Improvement Zones are shown in the “MAP SHOWING BOUNDARIES OF THE DISTRICT AND IMPROVEMENT ZONES” on page v.

The Master Developer purchased approximately 1,097.336 acres of land within the District in four separate transactions between December 2020 and May 2021. On December 15, 2020, the Master Developer purchased approximately 72 acres and an additional approximately 34 acres in two transactions using cash. On April 19, 2021, the Master Developer purchased approximately 695 acres in the District from the Lucas Parties (as defined herein), and on May 26, 2021, the Master Developer acquired an additional approximately 295 acres from the Lucas Parties. Such acquisitions by the Master Developer were funded through a combination of cash and the Trez Loan (as defined herein). As further described below, the Lucas Parties retained ownership of approximately 300.358 acres in the District. See “THE MASTER DEVELOPER – History and Financing of the District.”

The Master Developer sold approximately 237.562 acres of land in Improvement Zone C of the District to Solterra South, LLC (“Solterra South”), an entity affiliated with the Master Developer, on June 15, 2021 at a price of \$4,000,000. Solterra South’s purchase of such land was funded with cash equity contributions from the members of Solterra South. The Master Developer partially assigned its rights under the Development Agreement relating to the land in Improvement Zone C to Solterra South in connection with such transfer. The Master Developer subsequently sold an approximately 164.659 acre portion of the property located in Improvement Zone C (the “Zone C Phase One Property”) of the District to Lennar Homes Texas Land and Construction, Ltd. (“Lennar”) on June 17, 2021. On February 7, 2022, Lennar conveyed the Zone C Phase One Property, which includes all the land in Improvement Area C-1, Improvement Area C-2, and Improvement Area C-3, to KLLB AIV, LLC (“KLLB”) as a land bank for Lennar for long term financing purposes pursuant to the Lennar Zone C Phase One Option Agreement (as defined herein). KLLB is the current owner of the Zone C Phase One Property. Lennar remains responsible for the construction and

funding of the Improvement Area C-1 Projects, the Improvement Area C-2 Projects, and the Improvement Area C-3 Projects (each as defined herein) pursuant to a Construction Agreement (as defined herein) with KLLB. Solterra South retained rights to reimbursements related to public improvements constructed by Lennar in Improvement Zone C (the “Lennar Zone C Public Improvements”); provided that Solterra South shall transfer up to \$10,000,000 in reimbursements received from the proceeds of bonds issued for the Lennar Zone C Public Improvements to Lennar as described under “THE MASTER DEVELOPER – History and Financing of the District – Subsequent Transfers (Solterra South and Lennar).” See also “THE DEVELOPMENT – Improvement Zone C, the Lennar Zone C Contract and Lennar Zone C Phase One Option Agreement.”

Approximately 36.3 acres of land within the District is City owned right of way, a portion of which is in Improvement Zone A and a portion of which is in Improvement Zone C. The Master Developer is the owner of all land in Improvement Zone A except for 75 lots which have been transferred to builders in Improvement Area A-1 and approximately 34.4 acres of City owned right-of-way located in Improvement Zone A. See “THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements in Improvement Area A-1.” The remaining approximately 300.358 acres in the District (the “Lucas Property”), all of which is located partially in Improvement Zone B (285.5 acres) and partially in Improvement Zone C (14.858 acres), is owned by Lucas Farms Joint Venture, George F. Lucas Irrevocable Descendants Trust, Faithon P. Lucas, Jr. Family Trust (collectively, the “Lucas Parties”). The Master Developer holds an option to purchase the Lucas Property pursuant to the Lucas Parties Contract (as defined herein) as described under the heading “THE MASTER DEVELOPER – History and Financing of the District – Lucas Parties Purchase, Option Contract, and Acquisitions.” See “THE MASTER DEVELOPER – History and Financing of the District.”

The Master Developer is expected to install certain Major Improvements (as defined herein) that benefit the entire District and to develop the land in Improvement Zone A and Improvement Zone B into finished lots for sale to various homebuilders. Lennar is expected to develop finished lots and build homes in Improvement Zone C of the District. The Master Developer and Lennar are expected to develop their respective zones in the District in phases. The initial phases of development are Improvement Area A-1, in Improvement Zone A, and Improvement Area C-1, Improvement Area C-2 and Improvement Area C-3 in Improvement Zone C. The phases of the development after Improvement Area A-1, Improvement Area C-1, Improvement Area C-2 and Improvement Area C-3 are referred to herein as the “Future Improvement Areas.” See “THE DEVELOPMENT — Overall Development Plan.”

Improvement Zone A and Major Improvements – The Master Developer. In October 2021, the Master Developer began the initial phase of development within Improvement Zone A by commencing construction of: (1) certain excavation, street improvements, storm drainage collection system improvements, and landscaping improvements benefitting the entire District (the “Major Improvements”); (2) certain excavation, street improvements, water distribution system improvements, sanitary sewer collection system improvements, storm drainage collection system improvements, and landscaping, parks and open space improvements that will benefit only property within Improvement Zone A of the District (the “Improvement Zone A Improvements”), and (3) certain excavation, street improvements, water distribution system improvements, sanitary sewer collection system improvements, storm drainage collection system improvements, and landscaping improvements that will benefit only Improvement Area A-1 of the District (the “Improvement Area A-1 Improvements”). The Improvement Area A-1 Improvements, the pro rata portion of the Improvement Zone A Improvements benefitting Improvement Area A-1, and the pro rata portion of the Major Improvements benefitting Improvement Area A-1 are collectively referred to herein as the “Improvement Area A-1 Projects.”

The Master Developer has completed construction of the Improvement Area A-1 Projects within Improvement Area A-1.1, which consists of subphases known as Phase 1A, Phase 1B and Phase 1C. On December 20, 2022, the City approved the final plat for 27.004 acres known as “Phase 1A” within Improvement Area A-1.1. On November 14, 2022, the City approved the final plat for 22.521 acres known as “Phase 1B” within Improvement Area A-1.1. On January 9, 2023, the City approved the final plat for 20.048 acres known as “Phase 1C” within Improvement Area A-1.1. Development of Improvement Area A-1.2, consisting of Phase 1D, Phase 1E and Phase 1F, began in October 2021 and is expected to be complete in June 2023. The Master Developer began construction within Improvement Area A-1.3 consisting of Phase 1G as the final portion of Improvement Area A-1 in October 2021 and anticipates completion of Improvement Area A-1.3 by 3Q 2023. In the future, the Master Developer will develop the remaining land in Improvement Zone A and Improvement Zone B into finished lots for sale to various homebuilders.

The cost of the Improvement Area A-1 Projects is expected to be approximately \$45,872,073\*. A portion of such costs in the amount of \$33,425,000\* is expected to be paid with proceeds of the Bonds. The balance of such costs has been or is expected to be paid by the Master Developer with funds from the Trez Loan. As of June 1, 2023, the Master Developer has expended approximately \$6,060,000 on the Major Improvements, \$4,470,000 on the Improvement Zone A Improvements, and \$26,105,000 on the Improvement Area A-1 Improvements; and, all of such expenditures were funded by the Trez Loan. The remaining cost of the Improvement Area A-1 Improvements is forecasted to be approximately \$7,091,361 and have been or will be funded by the Master Developer from the Trez Loan.

Of the 787 lots in Improvement Area A-1, 761 are under contract with merchant homebuilders as of the date hereof. As of April 30, 2023, the Master Developer has transferred 75 lots of the 761 lots under contract within Improvement Area A-1.1 to homebuilders in Improvement Area A-1. See “THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements in Improvement Area A-1.”

The City has entered into a reimbursement agreement with the Master Developer (the “PID Reimbursement Agreement”) to reimburse a portion of the costs of the Improvement Area A-1 Projects and a portion of the costs of the Improvement Area C-1 Projects. Concurrently with the issuance of the Bonds, the City is also issuing Improvement Area C-1 Bonds (defined below) to reimburse a portion of the costs of the Improvement Area C-1 Projects (as defined herein). Under the PID Reimbursement Agreement, the City will reimburse the Master Developer a portion of the costs of the Improvement A-1 Projects from proceeds of the Bonds and a portion of the costs of the Improvement Area C-1 Projects from the proceeds of the Improvement Area C-1 Bonds. Under the Lennar Zone C Contract (as defined herein), Lennar may receive up to \$10,000,000 in reimbursements from the proceeds of bonds issued for the Lennar Zone C Public Improvements. Pursuant to the Service and Assessment Plan, the PID Reimbursement Agreement, and the Development Agreement, the Master Developer will be responsible for any costs of the Improvement Area A-1 Projects in excess of the amounts funded by the Bonds. The City has also entered into the Improvement Area C-3 PID Reimbursement Agreement (defined below) to reimburse the Master Developer for a portion of the costs of the Improvement Area C-3 Projects. See “THE IMPROVEMENT AREA A-1 PROJECTS,” “THE DEVELOPMENT - Improvement Zone C, the Lennar Zone C Contract and the Lennar Zone C Phase One Option Agreement,” “THE MASTER DEVELOPER – History and Financing of the District – Subsequent Transfers (Solterra South and Lennar),” and “APPENDIX F – Form of PID Reimbursement Agreement.”

*Improvement Zone C – Lennar.* Lennar is expected to develop finished lots and build homes in Improvement Zone C of the District as described above and in more detail under “THE DEVELOPMENT — Improvement Zone C, the Lennar Zone C Contract and the Lennar Zone C Phase One Option Agreement – Status of Development in Improvement Zone C.” Lennar has begun development in Improvement Area C-1, Improvement Area C-2 and Improvement Area C-3 of the District.

Concurrently with the issuance of the Bonds, the City will issue its \$7,000,000\* City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2023 (Solterra Public Improvement District Improvement Area C-1 Projects) (the “Improvement Area C-1 Bonds”) to finance a portion of the Improvement Area C-1 Projects (as defined herein). The Improvement Area C-1 Bonds will be secured by assessments on property in the Improvement Area C-1 of the District (the “Improvement Area C-1 Assessments”). Concurrently with the issuance of the Bonds, the City will issue its \$3,525,000\* City of Mesquite, Texas, Special Assessment Revenue Bonds, Series 2023 (Solterra Public Improvement District Improvement Area C-2 Projects) (the “Improvement Area C-2 Bonds”) to finance a portion of the Improvement Area C-2 Projects (as defined herein). The Improvement Area C-2 Bonds will be secured by assessments on property in the Improvement Area C-2 of the District (the “Improvement Area C-2 Assessments”). The City has also entered into a separate reimbursement agreement with the Master Developer (the “Improvement Area C-3 PID Reimbursement Agreement”) to reimburse a portion of the costs of the Improvement Area C-3 Projects pursuant to which the City expects to levy assessments on property in the Improvement Area C-3 of the District (the “Improvement Area C-3 Assessments”). See “MAP SHOWING BOUNDARIES OF THE DISTRICT AND IMPROVEMENT ZONES” on page v. **The Improvement Area C-1 Assessments, the Improvement Area C-2 Assessments, and Improvement Area C-3 Assessments are not pledged to and do not secure the Bonds.**

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\* Preliminary; subject to change.



*Future Improvement Area Bonds.* The City expects to issue one or more series of bonds (collectively, the “Future Improvement Area Bonds”) to finance the cost of improvements benefitting only Future Improvement Areas of the District. The estimated costs of the improvements benefitting Future Improvement Areas will be determined as such phase is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Future Improvement Areas and financed by each new series of Future Improvement Area Bonds. Such Future Improvement Area Bonds will be secured by separate assessments levied pursuant to the PID Act on Assessed Property within Future Improvement Areas. The Master Developer anticipates that Future Improvement Area Bonds will be issued over a period of fifteen years. See “THE DEVELOPMENT – Future Improvement Area Bonds.”

## **The Bonds**

Proceeds of the Bonds will be used to (i) pay a portion of the Improvement Area A-1 Project Costs (as defined in the Indenture), (ii) pay capitalized interest on the Bonds, (iii) fund the Bond Reserve Account of the Reserve Fund, (iv) fund a portion of the Delinquency and Prepayment Reserve Account, (v) pay a portion of the costs incidental to the organization and administration of the District, and (vi) pay the costs of issuance of the Bonds. Any funds in the Costs of Issuance Account not needed to pay costs of issuance shall be transferred to (i) the Improvement Account of the Project Fund and used to pay the Improvement Area A-1 Project Costs or (ii) to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the City. See “THE IMPROVEMENT AREA A-1 PROJECTS,” “APPENDIX A – Form of Indenture” and “SOURCES AND USES OF FUNDS.”

Payment of the Bonds is secured by a pledge of and a lien upon the Trust Estate, consisting primarily of the Pledged Revenues, which consist primarily of Assessments to be levied against the Assessed Property (as defined in the Service and Assessment Plan) within Improvement Area A-1 of the District, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS,” “ASSESSMENT PROCEDURES,” “APPENDIX A – Form of Indenture” and “APPENDIX B – Form of Service and Assessment Plan.”

**The Bonds, the Improvement Area C-1 Bonds, the Improvement Area C-2 Bonds, and any Future Improvement Area Bonds shall never constitute an indebtedness or general obligation of the City, the State of Texas (the “State”) or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds. The Improvement Area C-1 Bonds, the Improvement Area C-2 Bonds and the Future Improvement Area Bonds to be issued by the City are not offered pursuant to this Limited Offering Memorandum.**

## **DESCRIPTION OF THE BONDS**

### **General Description**

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 1 and September 1, commencing March 1, 2024 (each an “Interest Payment Date”), until maturity or prior redemption. Wilmington Trust, National Association, Dallas, Texas, is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$25,000, or any integral multiple of \$1,000 in excess thereof (“Authorized Denominations”), subject to the partial redemption provisions of the Indenture authorizing redemptions of less than \$25,000 in denominations of \$1,000 and any multiple of \$1,000 in excess thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to beneficial owners of the Bonds. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

## Redemption Provisions

**Optional Redemption.** The City reserves the option to redeem Bonds in whole or from time to time in part before their respective scheduled maturity dates, on September 1, 20\_\_, or on any date thereafter such redemption date or dates to be fixed by the City, at a Redemption Price equal to the principal amount of the Bonds called for redemption plus accrued and unpaid interest to the date fixed for redemption. At least forty-five (45) days before the redemption date (unless a shorter period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

**Extraordinary Optional Redemption.** The Bonds are subject to extraordinary optional redemption by the City prior to their respective scheduled maturity dates, in whole or in part, on any Business Day, at a Redemption Price of 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued and unpaid interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments, including related transfers to the Redemption Fund as provided in the Indenture or any other transfers to the Redemption Fund under the terms of the Indenture, including from transfers of Foreclosure Proceeds. The City direction for such redemption shall include details with regard to a corresponding reduction in the Bond Reserve Account Requirement, as contemplated by the definition thereof. Notwithstanding the foregoing, the Trustee will not be required to make an extraordinary optional redemption pursuant to the above unless it has at least \$1,000 available in the Redemption Fund with which to redeem the Bonds.

**Mandatory Sinking Fund Redemption.** The Bonds (referred to as "Term Bonds" below) are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a Redemption Price from money available for such purpose in the Principal and Interest Account of the Bond Fund, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

**\$ \_\_\_\_\_ Term Bonds Maturing September 1, 20\_\_**

<b><u>Redemption Date</u></b>	<b><u>Sinking Fund Installment Amount</u></b>
September 1, 20__	
September 1, 20__†	

**\$ \_\_\_\_\_ Term Bonds Maturing September 1, 20\_\_**

<b><u>Redemption Date</u></b>	<b><u>Sinking Fund Installment Amount</u></b>
September 1, 20__	
September 1, 20__†	

† Stated maturity.

At least forty-five (45) days prior to each scheduled mandatory redemption date and subject to any prior reduction authorized by the Indenture, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to the Indenture shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional or extraordinary redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

**Notice of Redemption.** The Trustee shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the

Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register. The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, then subject to the terms of the Indenture, an identification of the Bonds or portions thereof to be redeemed, any conditions to such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond shall become due and payable. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Notice of redemption having been given as provided in, and not otherwise rescinded as provided by, the Indenture, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption provided that funds for the payment of the Redemption Price of such Bonds or the principal of and interest on such Bonds, as applicable, to the date fixed for redemption are on deposit with the Trustee; thereafter, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

In the Indenture, the City reserves the right in the case of an optional or extraordinary optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

*Additional Provisions with Respect to Redemption.* If less than all of the Bonds are to be redeemed pursuant to optional or extraordinary optional redemption, such redemption shall be effected by redeeming Bonds in such manner as may be specified by the City in a City Certificate; provided, however that in the absence of such instruction from the City by the date required for the sending of notice of redemption pursuant to the Indenture, the Bonds shall be redeemed by any method selected by the Trustee that results in a pro rata reduction of the Outstanding maturities, treating each date on which a Sinking Fund Installment is due as a separate maturity for such purpose.

Bonds shall be redeemed in minimum principal amounts of \$1,000 or any integral thereof. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued.

Upon surrender of any Bond in part, the Trustee, in accordance with the provisions of the Indenture, shall authenticate and deliver and exchange the Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

### **BOOK-ENTRY ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Limited Offering Memorandum. The City and the Underwriter believe the source of such information to be reliable, but neither the City nor the Underwriter takes responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Limited Offering Memorandum. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all Bonds of the same maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and all other payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Paying Agent/Registrar or the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. Thereafter, Bond certificates may be transferred and exchanged as described in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the City's Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

**NONE OF THE CITY, THE TRUSTEE, THE PAYING AGENT, THE CITY'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.**

#### **LIMITATIONS APPLICABLE TO INITIAL PURCHASERS**

Each initial purchaser is advised that the Bonds being offered pursuant to this Limited Offering Memorandum are being offered and sold only to "accredited investors" as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933 and "qualified institutional buyers" as defined in Rule 144A promulgated under the



Securities Act of 1933. Each initial purchaser of the Bonds (each, an “Investor”) will be deemed to have acknowledged, represented and warranted to the City as follows:

- 1) The Investor has authority and is duly authorized to purchase the Bonds and to execute any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.
- 2) The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act of 1933 or a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.
- 3) The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the investor may sell at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.
- 4) The Investor understands that the Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.
- 5) The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Improvement Area A-1 Projects, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for, or in connection with the Investor’s decision to purchase the Bonds except for fraud or willful misconduct, to the extent permitted by law. For the avoidance of doubt, it is acknowledged that the Underwriter is not deemed an officer or employee of the City.
- 6) The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid by the City pursuant to the terms of the Indenture and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the District (which has no taxing power), the State or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Indenture.
- 7) The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds.

- 8) The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties described in items 1-7 above.

## **SECURITY FOR THE BONDS**

### **General**

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

NOTWITHSTANDING THE FOREGOING, THE CITY HAS CREATED "REINVESTMENT ZONE NUMBER 15, CITY OF MESQUITE, TEXAS" (THE "TIRZ"), WHICH INCLUDES THE LAND WITHIN THE DISTRICT AS WELL AS ADDITIONAL LAND, AND INTENDS TO USE ANNUAL TAX INCREMENT REVENUES COLLECTED WITHIN THE TIRZ, CONSISTING OF AN AMOUNT EQUAL TO 60% OF ALL REAL PROPERTY TAXES LEVIED, ASSESSED AND COLLECTED WITHIN THE TIRZ ON ALL REAL PROPERTY IN THE TIRZ TAXABLE BY THE CITY THEREIN BASED ON THE PRIORITY DESCRIBED UNDER "THE DEVELOPMENT AGREEMENT." THE APPLICATION OF A PORTION OF SUCH ANNUAL TIRZ REVENUES MAY INCLUDE THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS WHICH WILL RESULT IN A REDUCTION IN ANNUAL INSTALLMENTS OF ASSESSMENTS RELATED TO THE BONDS BY A CORRESPONDING AMOUNT AS DESCRIBED UNDER "SECURITY FOR THE BONDS — TIRZ REVENUES MAY REDUCE ASSESSMENTS". SUCH TAX INCREMENT REVENUE IS NOT PLEDGED TO THE BONDS UNDER THE INDENTURE, NOR WILL SUCH TAX INCREMENT BE PLEDGED PURSUANT TO ANY INDENTURE RELATING TO THE BONDS, THE IMPROVEMENT AREA C-1 BONDS, THE IMPROVEMENT AREA C-2 BONDS, AND ANY FUTURE IMPROVEMENT AREA BONDS. SEE "TIRZ REVENUES MAY REDUCE ASSESSMENTS" BELOW.

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the pledged revenues (the "Pledged Revenues") consisting of primarily of Assessments levied against the assessable parcels or lots within Improvement Area A-1 of the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan (as amended and supplemented, the "Service and Assessment Plan"), which describes the special benefit received by Improvement Area A-1 of the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the allocation of Assessments for payment of principal of, premium, if any, and interest on the Bonds.

The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See "APPENDIX B — Form of Service and Assessment Plan."

### **Pledged Revenues**

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of law to finance the Improvement Area A-1 Projects by levying Assessments upon properties in Improvement Area A-1 of the District benefitted thereby. For a description of the assessment methodology and the amounts of Assessments anticipated to

be levied in Improvement Area A-1 of the District, see “ASSESSMENT PROCEDURES” and “APPENDIX B — Form of Service and Assessment Plan .”

Pursuant to the Indenture, Pledged Revenues are the sum of (i) Annual Installments (excluding the portion of the Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs), (ii) the moneys held in any of the Pledged Funds and Accounts, and (iii) any additional revenues that the City may pledge to the payment of the Bonds.

“Annual Installments” means, collectively, with respect to each Assessed Property, each annual payment of the Assessments as shown on the Assessment Roll and related to the Bonds and the Improvement Area A-1 Projects, including (i) principal; (ii) interest (iii) Annual Collection Costs, and (iv) the 0.50% additional interest rate (the “Additional Interest”) collected pursuant to the Service and Assessment Plan and deposited to the Delinquency and Prepayment Reserve Account as described in the Indenture. The term “Annual Collection Costs” means the actual or budgeted costs and expenses related to the operation of the District, including, but not limited to, costs and expenses for: (1) the Administrator; (2) City staff; (3) legal counsel, engineers, accountants, financial advisors, and other consultants engaged by the City; (4) calculating, collecting, and maintaining records with respect to Assessments and Annual Installments; (5) preparing and maintaining records with respect to Assessment Roll and annual updates to the Service an Assessment Plan; (6) paying and redeeming Bonds; (7) investing or depositing Assessments and Annual Installments; (8) complying with this Service and Assessment Plan, the PID Act, and any Indenture, with respect to the Bonds, including the City’s continuing disclosure requirements; and (9) the paying agent/registrar and Trustee in connection with Bonds, including their respective legal counsel. See “SECURITY FOR THE BONDS — Pledged Revenue Fund,” “APPENDIX A — Form of Indenture” and “APPENDIX B — Form of Service and Assessment Plan.”

The City will covenant in the Indenture that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously. The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney’s fees, if incurred) are a first and prior lien (the “Assessment Lien”) against the property assessed, superior to all other liens or claims, except liens and claims for State, county, school district, or municipality ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named, and runs with the land. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Assessments are paid (or otherwise discharged), and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See “ASSESSMENT PROCEDURES” herein. The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property. See “BONDHOLDERS’ RISKS – Assessment Limitations.” There are currently no properties within Improvement Area A-1 that have claimed a homestead exemption.

### **TIRZ Revenues May Reduce Assessments**

The Assessments to be levied by the City according to the Assessment Ordinance and described in the Service and Assessment Plan are set at a level sufficient to fund a portion of the costs of the Improvement Area A-1 Projects.

Pursuant to Chapter 311 of the Texas Tax Code (the “TIRZ Act”), on May 3, 2021 the City held a public hearing on the creation of the TIRZ and the preliminary project and financing plan for the TIRZ. Pursuant to Ordinance No. 4869 adopted on June 7, 2021 (the “TIRZ Creation Ordinance”), the City created the TIRZ and was presented with the Reinvestment Zone Number 15, City of Mesquite Preliminary Project and Financing Plan (“Preliminary TIRZ Project and Finance Plan”). The TIRZ contains approximately 1,920 acres, and encompasses the land within the Development and additional land.

The City Council is expected to approve a final Project and Finance Plan for the TIRZ (the “TIRZ Project and Finance Plan”) on July 17, 2023 with the adoption of an ordinance which authorizes the use of certain TIRZ Revenues (defined below) for project costs under the TIRZ Act, relating to certain public improvements, which include the Improvement Area A-1 Projects, as provided for in the TIRZ Project and Finance Plan (including amendments or supplements thereto).

Pursuant to the TIRZ Act, the tax increment base of the City is the total taxable value of all real property taxable by the City within the boundaries of the District, determined as of January 1 the year in which the TIRZ was designated as a reinvestment zone (the “Tax Increment Base”). As described in the TIRZ Project and Finance Plan, the “Tax Increment” for a year includes 60% of property taxes (based on the ad valorem tax rate in effect on the date of establishment of the TIRZ), levied and collected by the City within the TIRZ on the Captured Appraised Value (which amount is expected to be used to reduce Assessments within the District, as described below). Consistent with Section 311.012(b) of the TIRZ Act, the “Captured Appraised Value” of real property taxable by the City for a year is the total appraised value of all real property taxable by the City and located in the TIRZ for that year less the Tax Increment Base.

Pursuant to the TIRZ Project and Finance Plan, the Development Agreement and the Service and Assessment Plan, the City intends to hold the annual City Tax Increment Revenues collected from the TIRZ (the “TIRZ Revenues”) in a “TIRZ Fund” and to dedicate all City ad valorem tax revenue in the TIRZ Fund to be used in the priority set forth under “THE DEVELOPMENT AGREEMENT – TIRZ Reimbursements.” As described under such subheading, the City expects to use the TIRZ Revenues to pay the TIRZ Annual Credit Amount (as defined herein) after the payment of administrative costs of the TIRZ and the payment of an annual wildlife mitigation fee of up to \$100,000 if applicable. See “THE DEVELOPMENT AGREEMENT – TIRZ Reimbursements.”

The City shall determine the TIRZ Annual Credit Amount allocable to Improvement Area A-1 each year and shall transfer such amount to the Pledged Revenue Fund for the Bonds. Such Annual Credit Amount shall reduce the Annual Installments for that year for all assessments that have been levied within the District, and shall also reduce Future Improvement Areas Assessments, when levied, if any.

In the Service and Assessment Plan, the City has established a maximum annual credit for each lot type as follows:

Lot Type	Maximum TIRZ Annual Credit Amount per Lot
1	\$665.68
2	\$750.30
3	\$868.77
4	\$1,004.17
5	\$851.65
6	\$986.12
7	\$1,139.80
8	\$1,258.27
9	\$1,052.76

See “ASSESSMENT PROCEDURES – Assessment Amounts – TIRZ Annual Credit Amount”. The TIRZ Annual Credit Amount is applied to each Assessed Property (as such term is defined in the Service and Assessment Plan) basis and under the terms of the Service and Assessment Plan.

The deposit of the TIRZ Revenues collected from the TIRZ shall continue until the earlier of: (i) the expiration of the TIRZ on December 31, 2071; (ii) at such time that the total aggregate amount reimbursed to the Master Developer is equal to the total amount of the Public Improvement Project Costs (as defined in the Development Agreement) allocated to each improvement area, as set forth in the Service and Assessment Plan, whether paid from bond proceeds or TIRZ revenues, up to \$297,560,206 in the aggregate across all improvement areas paid from any source; or (iii) termination of the TIRZ Reimbursement Agreement (as defined herein) pursuant to an event of default thereunder; provided however that the use of TIRZ Revenues for the payment of PID Bonds (as defined in the Development Agreement) or TIRZ Bonds (as defined in the Development Agreement) shall continue until all PID Bonds and TIRZ Bonds shall have been discharged or paid in full.

**THE TIRZ REVENUES, IF AVAILABLE, WILL NOT BE PLEDGED TO THE PAYMENT OF THE BONDS, AND THERE IS NO GUARANTEE THAT THERE WILL EVER BE SUFFICIENT TIRZ REVENUES TO GENERATE THE TIRZ ANNUAL CREDIT AMOUNT.** THE TIRZ ANNUAL CREDIT AMOUNT WILL NOT BE APPLIED IN ANY MANNER THAT WOULD AFFECT THE COLLECTION AND CONTINUOUS ENFORCEMENT OF ASSESSMENTS COLLECTED FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS AND ANNUAL COLLECTION COSTS AND THE FUNDING OF THE DELINQUENCY AND PREPAYMENT RESERVE ACCOUNT REQUIREMENT, IN THE MANNER AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS. THE FULL TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE AVAILABLE TO REDUCE THE ANNUAL INSTALLMENT FOR ANY ASSESSED PROPERTY UNTIL THE SECOND YEAR THAT A HOME ON SUCH LOT IS ASSESSED. MOREOVER, THE TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE SUFFICIENT TO PROVIDE FOR THE TARGETED NET AVERAGE ANNUAL INSTALLMENT UNTIL THE SECOND YEAR THAT A HOME ON SUCH LOT IS ASSESSED. SEE “OVERLAPPING TAXES AND DEBT.”

### **Collection and Deposit of Assessments**

The Assessments on each parcel, tract or lot which are to be collected in each year during the term of the Bonds are shown on the Assessment Roll. The Assessments, together with the interest thereon, will be deposited in the Pledged Revenue Fund for the payment of the principal of, premium, if any, and interest on the Bonds, as and to the extent provided in the Service and Assessment Plan and the Indenture. See “SECURITY FOR THE BONDS — Pledged Revenue Fund” and “APPENDIX B — Form of Indenture.”

The Assessments assessed to pay debt service on the Bonds, together with interest thereon, are payable in Annual Installments established by the Assessment Ordinance and the Service and Assessment Plan to correspond, as nearly as practicable, to the debt service requirements for the Bonds. An Annual Installment of Assessments has been made payable in the Assessment Ordinance in each Fiscal Year preceding the date of final maturity of the Bonds which, if collected, will be sufficient to pay the portion of the debt service requirements attributable to Assessments in the Service and Assessment Plan. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment Ordinance.

Any sums collected for the payment of Annual Collection Costs shall be deposited in the Administrative Fund and shall not constitute Pledged Revenues.

### **Unconditional Levy of Assessments**

The City will impose Assessments on the property within Improvement Area A-1 of the District to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments are effective from the date, and strictly in accordance with the terms, of the Assessment Ordinance. Each Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Ordinance, interest on the Assessments for each lot within Improvement Area A-1 and allocated to the Bonds, begins to accrue on the date specified in the Service and Assessment Plan and, bears interest at the rate of interest on the Bonds plus the 0.50% additional interest charged on Assessments pursuant to Section 372.018 of the PID Act (“Additional Interest Rate”). Each Annual Installment, including the interest on the unpaid amount of Assessments, will be determined by September 30 of each year and billed on or around October 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year.

As authorized by Section 372.003(b)(14) of the PID Act, the City will levy, assess and collect each year while the Bonds are Outstanding and unpaid, an assessment to pay the annual costs incurred by the Annual Collection Costs. The portion of each Annual Installment of an Assessment used to pay the Annual Collection Costs shall remain in effect from year to year until all Bonds are finally paid or until the City adjusts the levy after an annual review in any year pursuant to Section 372.015(d) of the PID Act. The amount collected to pay Annual Collection Costs shall be due in the manner set forth in the Assessment Ordinance, and shall be billed on or about October 1 of each year and shall be delinquent if not paid by February 1 of the following year. **Amounts collected for Annual Collection Costs do not secure repayment of the Bonds.**

There will be no split payment of Assessments or discount for the early payment of Assessments.

Failure to pay an Annual Installment when due shall not accelerate the payment of the remaining Annual Installments of the Assessments and such remaining Annual Installments (including interest) shall continue to be due and payable at the same time and in the same amount and manner as if such default had not occurred.

### **Perfect Security Interest**

The lien on and pledge of the Trust Estate shall be valid and binding and fully perfected from and after the Closing Date, and execution and delivery of the Indenture, without physical delivery or transfer of control of the Trust Estate, the filing of the Indenture or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended, which applies to the issuance of the Bonds and the pledge of the Trust Estate granted by the City under the Indenture, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding such that the pledge of the Trust Estate granted by the City under the Indenture is to be subject to the filing requirements of Chapter 9, Business and Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur. See “APPENDIX B — Form of Indenture.”

### **Pledged Revenue Fund**

On or before February 1 (provided that Pledged Revenues have been received by the City, or if not, then as soon available) while the Bonds are Outstanding, beginning February 1, 2024, the City shall deposit or cause to be deposited the Annual Installments (which excludes, for the avoidance of doubt that portion of the Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs, which shall be deposited pursuant to the Indenture) into the Pledged Revenue Fund. Specifically, except as set forth in the Indenture, the Pledged Revenues shall be deposited to the Pledged Revenue Fund to be used in the following order of priority: (1) first, to the Principal and Interest Account of the Bond Fund amounts sufficient to pay debt service on the Bonds coming due in the next Bond Year, (2) second, to the Bond Reserve Account in an amount to cause the amount in the Bond Reserve Account to equal the Bond Reserve Account Requirement as described in the Indenture, (3) third, amounts representing Additional Interest to the Delinquency and Prepayment Reserve Account of the Reserve Fund in an amount equal to the Delinquency and Prepayment Reserve Requirement, and (4) fourth, in accordance with the written direction of the City, to the Redemption Fund or to pay other costs permitted by the PID Act.

Notwithstanding the foregoing, if any funds remain on deposit in the Pledged Revenue Fund after the transfers required by clauses (1) through (3) above are made, the City shall have the option, in its sole and absolute discretion, to transfer such excess funds into the Redemption Fund to redeem Bonds as provided in the Indenture. The City or the Administrator on behalf of the City shall direct the Trustee in writing with respect to the portions of the Pledged Revenues to be deposited pursuant to the Indenture as Additional Interest, Prepayments or Foreclosure Proceeds.

From time to time as needed to pay the obligations relating to the Bonds, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account of the Pledged Revenue Fund and transfer to the Principal and Interest Account, an amount, taking into account any amounts then on deposit in such Principal and Interest Account, such that the amount on deposit in the Principal and Interest Account equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date.

If, after the foregoing transfers and any transfer from the Reserve Fund (as described under the subcaption “Bond Reserve Account of the Reserve Fund” below), there are insufficient funds to make the payments to the Principal and Interest Account of the Bond Fund described above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Bonds.

Notwithstanding the foregoing:

(1) the Trustee shall deposit Additional Interest to the Pledged Revenue Fund and shall transfer such Additional Interest to the Delinquency and Prepayment Reserve Account as described in the foregoing paragraph and as otherwise directed by the Indenture; and

(2) the Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund;

(3) the Trustee shall deposit Foreclosure Proceeds (excluding Delinquent Collection Costs) to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund, to restore any transfers from the applicable account of the Reserve Fund made with respect to the Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Notwithstanding the foregoing, any portion of Foreclosure Proceeds that are attributable to Annual Collection Costs (as identified to the Trustee in writing) shall be deposited to the Administrative Fund, and any portion of Foreclosure Proceeds attributable to Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund.

After satisfaction of the requirements to (i) provide for the payment of the principal and interest on the Bonds, and (ii) to fund any deficiency that may exist in the Reserve Fund (including the funding of the Delinquency and Prepayment Reserve Account), the City may direct the Trustee by City Certificate to apply Assessments for any lawful purposes permitted by the PID Act for which Assessments may be paid.

Assessments representing Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited first to the Delinquency and Prepayment Reserve Account of the Reserve Fund (including the funding of the Delinquency and Prepayment Reserve Account) until the Delinquency and Prepayment Reserve Account Reserve Requirement is met and then to the Administrative Fund.

Any Assessments remaining after satisfying the foregoing payments may be used for any lawful purpose for which Assessments may be used under the PID Act and such payments shall be applied in accordance with written direction from a City Representative to the Trustee.

**Bond Fund**

No later than on each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and interest then due and payable on the Bonds.

If amounts in the Principal and Interest Account are insufficient for the purposes set forth in the paragraph above, the Trustee shall withdraw first from the Delinquency and Prepayment Reserve Account of the Reserve Fund and second from the Bond Reserve Account of the Reserve Fund amounts to cover the amount of such insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

Moneys in the Capitalized Interest Account shall be used for the payment of interest on the Bonds on the following dates and in the following amounts:

<u>Date</u>	<u>Amount</u>

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred shall be transferred, at the direction of the City, to (i) the applicable subaccount of the Improvement Area A-1 Improvement Account of the Project Fund, or (ii) to the Redemption Fund to be used to redeem Bonds, and the Capitalized Interest Account shall be closed.

## **Project Fund**

The Project Fund under the Indenture contains the Improvement Area A-1 Improvement Account and the Improvement Area A-1.1 Improvement Subaccount, Improvement Area A-1.2 Improvement Subaccount, the Improvement Area A-1.3 Improvement Subaccount, and the Costs of Issuance Account.

Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. Moneys disbursed at closing to pay for the costs of creating the District shall be paid pursuant to a Closing Disbursement Request.

Except as otherwise provided in the Indenture, money on deposit in the Improvement Area A-1 Improvement Account of the Project Fund, shall be used solely to pay the costs of the Improvement Area A-1 Projects as set forth in the applicable Certificate for Payment. Upon receipt of a reviewed and approved Certificate for Payment for any Improvement Area A-1 Project Costs, the Trustee shall make payment from the applicable subaccount of the Improvement Area A-1 Improvement Account.

If the City Representative determines in his or her sole discretion that amounts then on deposit in any of the subaccounts of the Improvement Area A-1 Improvement Account are not expected to be expended for purposes thereof due to the abandonment, or constructive abandonment, of any of the Improvement Area A-1 Projects, such that, in the opinion of the City Representative, it is unlikely that the amounts in the applicable subaccount of the Improvement Area A-1 Improvement Account will ever be expended for the purposes thereof, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the applicable subaccount of the Improvement Area A-1 Improvement Account that are not expected to be used for purposes thereof. If such City Certificate is so filed, the amounts identified on the City Certificate currently on deposit in the applicable subaccount of the Improvement Area A-1 Improvement Account shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture. In making any determination pursuant to the Indenture, the City Representative may conclusively rely upon a certificate of an Independent Financial Consultant.

Upon the filing of a City Certificate stating that all Improvement Area A-1 Projects have been completed and that all Improvement Area A-1 Projects Costs have been paid, or that any such costs are not required to be paid from applicable subaccounts of the Improvement Area A-1 Improvement Account pursuant to a Certificate for Payment, the Trustee shall transfer the amount, if any, remaining within the applicable subaccounts of the Improvement Area A-1 Improvement Account to the Principal and Interest Account or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee and shall close the applicable subaccounts of the Improvement Area A-1 Improvement Account of the Project Fund.

Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Bond Fund and used to pay interest on the Bonds, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

## **Bond Reserve Account**

Pursuant to the Indenture, a Bond Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the Reserve Fund Requirement. Pursuant to the Indenture, the "Bond Reserve Account Requirement" for the Bonds shall be the least of: (i) Maximum Annual Debt Service on the Bonds as of the Closing Date of the Bonds, (ii) 125% of average Annual Debt Service on the Bonds as of the Closing Date, or (iii) 10% of the stated principal amount of the Bonds as of the date of issuance; provided, however that subsequent to the date of issuance of the Bonds, such Bond Reserve Account Requirement shall be recalculated for compliance with the above upon (a) any transfers made pursuant to the Indenture, (b) a mandatory sinking fund redemption pursuant to the terms of the Indenture, (c) an optional redemption pursuant to the terms of the Indenture or (d) an extraordinary optional redemption pursuant to the terms of the Indenture. As of the date of delivery of the Bonds, the Bond Reserve Account Requirement is \$\_\_\_\_\_.

Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the amount in the Bond Reserve Account exceeds the Bond Reserve Account Requirement, the Trustee shall provide



written notice to the City Representative and the Administrator of the amount of the excess. Upon receipt of a City Certificate, the Trustee shall transfer such excess to (i) the Principal and Interest Account, (ii) the Redemption Fund or (iii) the Administrative Fund, as set forth in the City Certificate. The excess amounts transferred from the Bond Reserve Account to the Administrative Fund will be presumed to have been transferred, first, from sources other than Bond proceeds (including investment earnings on such proceeds) and, second, from amounts that are Bond proceeds (including investment earnings on such proceeds). The cumulative amount of any Bond proceeds (including investment earnings on such proceeds) that are transferred to the Administrative Fund pursuant to the provisions of (iii) above and subsequently used for the payment of operating costs directly relating to the Improvement Area A-1 Projects will not exceed 5% of sale proceeds of the Bonds

If, after a Bond Reserve Account withdrawal, the amount on deposit in the Bond Reserve Account is less than the Bond Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Bond Reserve Account the amount of such deficiency, in accordance with the Indenture, but only to the extent that such amount is not required for the timely payment of principal, interest, or Sinking Fund Installments.

At the final maturity of the Bonds, the amount on deposit in the Bond Reserve Account shall be transferred to the Principal and Interest Account and applied to the payment of the principal of the Bonds.

If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund and the Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount of all Outstanding Bonds on the next Interest Payment Date, together with the unpaid interest accrued on such Bonds as of such Interest Payment Date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds as of such Interest Payment Date.

Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to the Indenture, a proportionate amount in the Bond Reserve Account shall be transferred on the Business Day prior to the redemption date by the Trustee to the Redemption Fund to be applied to the redemption of the Bonds as detailed in a City Certificate. The amount so transferred from the Bond Reserve Account shall be a proportional amount equal to a percentage of the amount of the Bonds redeemed with such percentage equal to the lesser of: (i) the amount required to be in the Bond Reserve Account, as a percentage of the Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Bond Reserve Account, as a percentage of the Outstanding Bonds prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayment toward payment of accrued interest on the Bonds, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds to the date fixed for redemption of the Bonds to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

### **Delinquency and Prepayment Reserve Account**

Pursuant to the Indenture, a Delinquency and Prepayment Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. A portion of the Delinquency and Prepayment Reserve shall be funded with bond proceeds and, each year, Additional Interest shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund pursuant to the provisions of the Indenture until such time that the amount on deposit in the Delinquency and Prepayment Reserve Account is at least equal to the Delinquency and Prepayment Reserve Requirement. Whenever, at the written request of the City Representative, on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The City shall direct the Trustee in writing to transfer the amounts of such excess in the Delinquency and Prepayment Reserve Account to (i) the Bond Reserve Account to restore any deficiency in the Bond Reserve Account up to the Bond Reserve Account Requirement, (ii) the Administrative Fund for payment of Annual Collection Costs, or (iii) to the Redemption Fund to be used to redeem Bonds pursuant to the Indenture. The excess amounts transferred from the Delinquency and Prepayment Reserve Account of the Reserve Fund to the Administrative Fund will be presumed to have been transferred, first, from sources other than Bond proceeds (including investment earnings on such proceeds) and, second, from amounts that are Bond proceeds (including investment earnings on such proceeds). In the event that the Trustee does not receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve funds within forty-five (45) days of providing notice to the City of such excess Delinquency and Prepayment Reserve amount, the Trustee shall transfer the excess Delinquency and Prepayment Reserve amount to the Redemption Fund and provide the City with written notification of the transfer.

Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to the provisions of the Indenture, if there are insufficient funds in the Redemption Fund from such Prepayments to redeem the Bonds on their redemption date, the Trustee shall transfer funds from the Delinquency and Prepayment Reserve Account to the Redemption Fund in the amount of the deficiency and such funds shall be used to redeem Bonds pursuant to the Indenture.

At the final maturity of the Bonds, the amount on deposit in the Delinquency and Prepayment Reserve Account shall be transferred to the Principal and Interest Account and applied to the payment of the principal of the Bonds.

### **Administrative Fund**

The City has created under the Indenture an Administrative Fund held by the Trustee. The City shall deposit or cause to be deposited to the Administrative Fund the amounts collected each year to pay Annual Collection Costs and Delinquent Collection Costs. The City or the Administrator, on behalf of the City, shall direct the Trustee pursuant to the City Certificate with respect to the portions of the Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs to be deposited pursuant to the Indenture.

Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered hereunder and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Annual Collection Costs and Delinquent Collection Costs. The Administrative Fund shall not be part of the Trust Estate and is not security for the Bonds.

**THE ADMINISTRATIVE FUND IS NOT PART OF THE TRUST ESTATE AND IS NOT SECURITY FOR THE BONDS.**

### **Defeasance**

All Outstanding Bonds shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided in the Indenture, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency then rating the Bonds that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor moneys so deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be as the case may be, only upon receipt by the Trustee of (i) a report by an independent certified public accountant selected by the City, after giving effect to such request, verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (ii) an opinion of Bond Counsel stating that no adverse federal tax consequences will result from reinvesting such cash. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

“Defeasance Securities” means Investment Securities then authorized by applicable law for the investment of funds to defease public securities. “Investment Securities” means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the “PFIA”); and provided further such investments and are, at the time made, included in and authorized by the City’s official investment policy as approved

by the City Council from time to time. Under current State law, Investment Securities that are authorized for the investment of funds to defease public securities are (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality, and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Indenture does not contractually limit such investments, Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

### **Events of Default**

Each of the following occurrences or events constitutes an “Event of Default” under the Indenture:

- (i) the failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;
- (ii) the failure of the City to enforce the collection of the Assessments, including the prosecution of foreclosure proceedings;
- (iii) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within thirty (30) days; and
- (iv) default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture and the continuation thereof for a period of ninety (90) days after written notice to the City by the Trustee, or by the Owners of at least 25% of the aggregate outstanding principal of the Bonds with a copy to the Trustee, specifying such default by the Owners of at least 25% of the aggregate outstanding principal amount of the Bonds at the time Outstanding requesting that the failure be remedied.

### **Immediate Remedies for Default**

Upon the happening and continuance of any Event of Default, the Owners of at least 25% the aggregate outstanding principal of the Bonds, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

**THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.**

If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due in an Event of Default, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City Order, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the City shall fail to deliver to the Trustee such City Order, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the City by reason of such selection, liquidation or sale.

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

### **Restriction on Owner's Actions**

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the registered owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

Subject to provisions of the Indenture with respect to certain liabilities of the City, nothing in the Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond issued thereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed therein and in the Bonds.

In case the Trustee or any Owners shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the City, the Trustee and the Owners shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

### **Application of Revenues and Other Moneys After Event of Default**

All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including Trustee's counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture, during the continuance of an Event of Default, be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

FIRST: To the payment to the registered owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the registered owners entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the registered owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the registered owners entitled thereto, without any discrimination or preference.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners.

In the event funds are not adequate to cure any of the Events of Default described in above, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of the Indenture.

The restoration of the City to its prior position after any and all defaults have been cured, as provided above, shall not extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

### **Investment or Deposit of Funds**

Money in any Fund established pursuant to the Indenture shall be invested by the Trustee as directed by the City pursuant to a City Order filed with the Trustee at least two (2) days in advance of the making of such investment in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the PFIA, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times as set forth in the Indenture.

Obligations purchased as an investment of moneys in any Fund shall be deemed to be part of such Fund or Account, subject, however, to the requirements of the Indenture for transfer of interest earnings and profits resulting from investment of amounts in Funds and Accounts. Whenever in the Indenture any moneys are required to be transferred by the City to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

### **Against Encumbrances**

The City shall not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues and the Pledged Funds and Accounts, or upon any other property pledged under the Indenture, except the pledge created for the security of the Bonds, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

### **Other Obligations or Other Liens**

The City reserves the right, subject to the provisions of the Indenture, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues.

So long as Bonds are Outstanding, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under the Indenture, other than (i) a lien or pledge subordinate to the lien and pledge of such property related to the Bonds, or (ii) a lien for Refunding Bonds.

Other than Refunding Bonds issued to refund all or a portion of the Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority hereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with the Indenture as a lien or charge upon the Pledged Revenues or Pledged Funds and Accounts;

provided, however, that nothing in the Indenture shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or counsel to the Trustee, the same would adversely affect the ability of the City to timely pay the debt service due and owing on the Bonds.

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### SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Bonds:

Sources of Funds:

Principal Amount  
Total Sources

Uses of Funds:

Deposit to the Improvement Area A-1.1 Improvement Subaccount of the Project Fund  
Deposit to the Improvement Area A-1.2 Improvement Subaccount of the Project Fund  
Deposit to the Improvement Area A-1.3 Improvement Subaccount of the Project Fund  
Deposit to Capitalized Interest Account  
Deposit to Bond Reserve Account of the Reserve Fund  
Deposit to Delinquency and Prepayment Reserve Account of the Reserve Fund  
Deposit to Administrative Fund  
Deposit to Cost of Issuance Account of the Project Fund  
Underwriter's Discount<sup>(1)</sup>  
Total Uses

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<sup>(1)</sup> Includes Underwriter's Counsel's fee of \$ \_\_\_\_\_.

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**DEBT SERVICE REQUIREMENTS**

The following table sets forth the anticipated debt service requirements for the Bonds:

<b><u>Year Ending (September 1)</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
<b>Total</b>			

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## OVERLAPPING TAXES AND DEBT

The land within Improvement Area A-1 of the District has been, and is expected to continue to be, subject to taxes and assessments imposed by taxing entities other than the City. Such taxes are payable in addition to the Assessments levied by the City.

In addition to the Assessments described above, the Master Developer anticipates that each lot owner in Improvement Area A-1 of the District will pay a maintenance and operation fee and/or a property owner's association fee of \$1,250 per year to a homeowner's association (the "HOA") formed by the Master Developer. The HOA will maintain the privately owned open spaces, common areas, right-of-way irrigation systems, raised medians and other right-of-way landscaping, detention areas, drainage areas, screening walls, parks, trails, lawns, and any other common improvements. In addition to the City, Dallas County, the Mesquite Independent School District, Dallas County Community College District, and the Dallas County Hospital District may each levy ad valorem taxes upon land in Improvement Area A-1 of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities. The following table reflects the overlapping ad valorem tax rates currently levied on property located in Improvement Area A-1 of the District. The District is located within corporate limits of the City, and primarily within the Mesquite Independent School District, and within Dallas County, Texas.

### OVERLAPPING TAX RATES

<u>Taxing Entity</u>	<u>Tax Year 2022 Ad Valorem Tax Rate<sup>(1)</sup></u>
City of Mesquite	0.658140
Dallas County, Texas (Including School Equalization)	0.227946
Mesquite Independent School District	1.284600
Dallas County Community College District	0.115899
Dallas County Hospital District	<u>0.235800</u>
Total Existing Tax Rate	<u>2.522385</u>
Estimated Average Annual Installment in Improvement Area A-1 of the District as tax rate equivalent per Parcel <sup>(2)</sup>	<u>\$0.819746</u>
Less Maximum TIRZ Annual Credit Amount per lot as tax rate equivalent <sup>(4)</sup>	<u>\$(0.222131)</u>
<b>"Targeted Net Average Annual Installment" as tax rate equivalent<sup>(2)</sup></b>	<b><u>\$0.597615</u></b>
<b>Net Estimated Total Tax Rate and Average Annual Installment in Improvement Area A-1 of the District as tax rate equivalent per Parcel</b>	<b><u>\$3.120000</u></b>

<sup>(1)</sup> As reported by the taxing entities. Per \$100 in taxable assessed value.

<sup>(2)</sup> Source: The Administrator. Weighted average across Lot Types; derived from information presented in the Service and Assessment Plan. See "APPENDIX B — Service and Assessment Plan" Includes Assessments initially levied for payment of the Bonds. See "SECURITY FOR THE BONDS — TIRZ Revenues May Reduce Assessments." Preliminary, subject to change.

As noted above, Improvement Area A-1 of the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect

to the property within Improvement Area A-1 of the District, as of June 1, 2023, and City debt secured by the Assessments:

#### OVERLAPPING DEBT

<u>Taxing or Assessing Entity</u>	Gross Outstanding Debt as of 6/1/2023	Estimated Percentage Applicable <sup>(1)</sup>	Direct and Estimated Overlapping Debt <sup>(2)</sup>
The City (Assessments - The Bonds) <sup>(2)</sup>	\$ 33,425,000	100.000%	\$33,425,000
The City (Ad Valorem Taxes)	202,820,000	0.427%	865,336
Dallas County, Texas	236,605,000	0.015%	35,691
Mesquite Independent School District	704,827,801	0.400%	2,820,803
Dallas County Community College	375,515,000	0.015%	54,570
Dallas County Hospital District	<u>559,905,000</u>	0.015%	<u>83,207</u>
<b>TOTAL</b>	<b><u>\$2,113,097,801</u></b>		<b><u>\$37,284,607</u></b>

<sup>(1)</sup> Based on the Appraisal and on the Tax Year 2022 Net Taxable Assessed Valuations for the taxing entities.

<sup>(2)</sup> Preliminary, subject to change.

Sources: Dallas Central Appraisal District and Municipal Advisory Council of Texas

#### ASSESSMENT PROCEDURES

##### General

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Improvement Area A-1 Projects through Assessments, it must adopt a resolution generally describing the Improvement Area A-1 Projects and the land within Improvement Area A-1 of the District to be subject to Assessments to pay the cost therefor. The City has caused an assessment roll to be prepared (the "Assessment Roll"), which Assessment Roll will show the land within Improvement Area A-1 of the District to be assessed, the amount of the benefit to and the Assessment against each lot or parcel of land and the number of Annual Installments in which the Assessment is divided. The Assessment Roll will be filed with the City Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Improvement Area A-1 Projects and funding a portion of the same with Assessments. The City expects to levy the Assessments and adopt the Assessment Ordinance immediately prior to adopting the Bond Ordinance. After such adoption, the Assessments will become legal, valid and binding liens upon the property against which the Assessments are made.

Under the PID Act, the costs of the Improvement Area A-1 Projects may be assessed by the City against the Assessed Property in Improvement Area A-1 of the District so long as the special benefit conferred upon the assessed property in Improvement Area A-1 (the "Assessed Property") by the Improvement Area A-1 Projects equals or exceeds the Assessments. The costs of the Improvement Area A-1 Projects may be assessed using any methodology that results in the imposition of equal shares of cost on Assessed Property similarly benefited. The allocation of benefits and assessments to the benefitted land within the District, including land in Improvement Area A-1, is set forth in the Service and Assessment Plan, which should be read in its entirety. See "APPENDIX B — Form of Service and Assessment Plan."

##### Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each lot of Assessed Property as a result of the Improvement Area A-1 Projects, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the City allocates the special benefit of the Improvement Area A-1 Projects to lots in a manner that results in equal shares of costs being apportioned to lots similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Improvement Area A-1 Projects are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment Revenues. As set forth in the Service and Assessment Plan, the City Council has determined that the Actual Costs (as defined in the Service and Assessment Plan) associated with the

Improvement Area A-1 Projects will be allocated to the Assessed Property against which the Assessments are levied based on the ratio of estimated total buildout value of the Assessed Property as set forth in the Service and Assessment Plan. The costs of the Improvement Area A-1 Projects are allocated to each lot based on the estimated buildout value of the Parcel.

Pursuant to the TIRZ Project and Finance Plan and the TIRZ No. 15 Agreement, the City is expected to agree to use TIRZ Revenues derived from the City's ad valorem taxes (60% of the City's real property ad valorem taxes) generated from Assessed Property within the TIRZ to offset a portion of the Annual Installment attributable to the costs of the Authorized Improvements (the "TIRZ Annual Credit Amount"). In the Service and Assessment Plan, the City has established a maximum annual credit for each lot type (the "Maximum TIRZ Annual Credit Amount") as described under "ASSESSMENT PROCEDURES – Assessment Amounts – *TIRZ Annual Credit Amount*". The TIRZ Annual Credit Amount is applied on a per parcel basis and under the terms of the Service and Assessment Plan. The Annual Installment for each Assessed Property shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Assessed Property. See "SECURITY FOR THE BONDS – TIRZ Revenues May Reduce Assessments".

For further explanation of the Assessment methodology, see "APPENDIX B — Form of Service and Assessment Plan."

The City has determined that the foregoing method of allocation will result in the imposition of equal shares of the Assessments on lots similarly situated within Improvement Area A-1 of the District. The Assessments and interest thereon are expected to be paid in Annual Installments as described above. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future owners and developers within the District. See "APPENDIX B — Form of Service and Assessment Plan."

The following table provides additional analysis with respect to special assessment methodology, including the value to assessment burden ratio per unit (lot), equivalent tax rate per unit, and leverage per unit. The information in the tables was obtained from and calculated using information provided in the Service and Assessment Plan and the Appraisal. See "APPENDIX B — Service and Assessment Plan" and "APPENDIX E — Appraisal."

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**LIEN TO VALUE ANALYSIS, ASSESSMENT ALLOCATION, AND ASSESSMENT RATIO PER UNIT IN  
IMPROVEMENT AREA A-1 OF THE DISTRICT\***

Lot Type	Planned No. of Units	Estimated Finished Lot Value per unit <sup>(1)</sup>	Projected Average Home Value per unit	Maximum Assessment per unit	Average Annual Installment per unit	Tax Rate Equivalent of Average Annual Installment (per \$100 Lot Value)	Tax Rate Equivalent of Average Annual Installment (per \$100 Home Value) <sup>(2)</sup>	Ratio of Assessment to Lot Value	Ratio of Assessment to Average Home Value
1	20	\$59,500	\$354,000	\$32,838	\$2,781	\$4.6744	\$0.7857	1.81	10.78
2	174	\$66,500	\$399,000	\$37,013	\$3,135	\$4.7140	\$0.7857	1.80	10.78
3	41	\$77,000	\$462,000	\$42,857	\$3,630	\$4.7140	\$0.7857	1.80	10.78
4	52	\$89,000	\$534,000	\$49,536	\$4,195	\$4.7140	\$0.7857	1.80	10.78
5	26	\$66,500	\$399,000	\$39,047	\$3,236	\$4.8664	\$0.8111	1.70	10.22
6	237	\$77,000	\$462,000	\$45,212	\$3,747	\$4.8664	\$0.8111	1.70	10.22
7	80	\$89,000	\$534,000	\$52,259	\$4,331	\$4.8664	\$0.8111	1.70	10.22
8	46	\$98,250	\$589,500	\$57,690	\$4,781	\$4.8664	\$0.8111	1.70	10.22
9	111	\$51,500	\$309,000	\$30,901	\$2,899	\$5.6299	\$0.9383	1.67	10.00

Source: The Administrator and information presented in the Service and Assessment Plan

<sup>(1)</sup> Master Developer estimate.

<sup>(2)</sup> Does not reflect application of any potential TIRZ Annual Credit Amount. See “SECURITY FOR THE BONDS — TIRZ Revenues May Reduce Assessments.”

\* Preliminary, subject to change.

The estimated aggregate retail value of the assessable property in Improvement Area A-1 of the District, assuming construction of the Improvement Area A-1 Projects, subject to the limiting conditions therein, is approximately \$50,150,000. See “THE DEVELOPMENT — Improvement Area A-1 Development Plan and Status of Development” for further information regarding the expected completion of the development within Improvement Area A-1 of the District, and “APPRAISAL.”

### Collection and Enforcement of Assessment Amounts

Under the PID Act, the Annual Installments may be collected in the same manner and at the same time as ad valorem taxes of the City. The Assessments may be enforced by the City in the same manner that an ad valorem tax lien against real property is enforced. Delinquent installments of the Assessments incur interest, penalties and attorney’s fees in the same manner as delinquent ad valorem taxes. Under the PID Act, the Assessment Lien is a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for State, county, school district or municipality ad valorem taxes. See “BONDHOLDERS’ RISKS — Assessment Limitations” herein.

In the Indenture, the City will covenant to collect, or cause to be collected, Assessments as provided in the Assessment Ordinance. No less frequently than annually, City staff or a designee of the City shall prepare, and the City Council shall approve, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the Annual Installment for each Parcel. Annual Collection Costs shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels as described in the Service and Assessment Plan.

In the Indenture, the City will covenant, agree and warrant that, for so long as any Bonds are Outstanding, that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Assessments.

To the extent permitted by law, and to the extent reasonably practical, notice of the Annual Installments will be sent by, or on behalf of the City, to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes. The

Annual Installments shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City.

The City will determine or cause to be determined, no later than March 1 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Property.

The City will implement, to the extent reasonably practical, the basic timeline and procedures for Assessment collections and pursuit of delinquencies set forth in Exhibit C of the City's Continuing Disclosure Agreement set forth in APPENDIX D-1 and to comply therewith to the extent that the City reasonably determines that such compliance is the most appropriate timeline and procedures for enforcing the payment of delinquent Assessments.

The City shall not be required under any circumstances to expend any funds for Delinquent Collection Costs in connection with its covenants and agreements under the Indenture or otherwise other than funds on deposit in the Administrative Fund.

Annual Installments will be paid to the City or its agent. Annual Installments are due when billed each year, and become delinquent on February 1 of the following year. In the event Assessments are not timely paid, there are penalties and interest as set forth below:

<u>Date Payment</u>	<u>Cumulative</u>	<u>Cumulative</u>	
<u>Received</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, the penalty remains at 12%, and interest accrues at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total penalty and interest charge. In general, property subject to lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. An automatic stay by creditors or other entities, including governmental units, could prevent governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In most cases, post-petition Assessments are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

### **Assessment Amounts**

Assessment Amounts. The maximum amounts of the Assessments will be established by the methodology described in the Service and Assessment Plan. The Assessment Roll sets forth for each year the Annual Installment for each Assessed Property consisting of (i) the annual payment allocable to the Bonds, including the Additional Interest, for the Improvement Area A-1 Projects for each Assessed Property and (ii) the annual payment allocable to Annual Collection Costs. The Annual Installments for the Assessments may not exceed the amounts shown on the Assessment Roll. The Assessments will be levied against the lots comprising the Assessed Property as indicated on the Assessment Roll. See "APPENDIX B — Form of Service and Assessment Plan."

The Annual Installments shown on the Assessment Roll will be reduced to equal the actual costs of repaying the Bonds (which amount will include Additional Interest of the interest costs) and actual Annual Collection Costs (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances. The Annual Installments shall be further reduced by any offset or credit of applicable TIRZ Annual Credit Amount.

**TIRZ Annual Credit Amount.** The City, in accordance with the TIRZ Agreement, has agreed to use a portion of TIRZ Revenue generated from each Assessed Property to offset a portion of such property’s Assessment as applicable. The Improvement Area A-1 principal and interest for an Assessed Property shall receive a TIRZ Annual Credit Amount equal to the TIRZ Revenue generated by the Assessed Property for the previous tax year (i.e. TIRZ Revenue collected from the Assessed Property for Tax Year 2023 shall be applied as the TIRZ Annual Credit Amount applicable to the Assessed Property’s Improvement Area A-1 principal and interest levied and to be collected in Tax Year 2024), but in no event shall the TIRZ Annual Credit Amount exceed the Maximum TIRZ Annual Credit Amount. The TIRZ Annual Credit Amount is applied on a per Parcel basis and under the terms of the Service and Assessment Plan. Such TIRZ Annual Credit Amount will be derived only from the City ad valorem property taxes but in no event shall the TIRZ Annual Credit Amount exceed the Maximum TIRZ Annual Credit Amount as set forth in the Service and Assessment Plan.

The “Maximum TIRZ Annual Credit Amount” applicable to each Assessed Property was calculated so that the so that the average Improvement Area A-1 principal and interest minus the Maximum TIRZ Annual Credit Amount for each lot does not produce an equivalent tax rate for such lot which exceeds a total of \$3.12 for the total ad valorem tax rate taking into consideration (i) the tax rates of all applicable overlapping taxing units and (ii) the equivalent tax rate of the Annual Installments of the Assessments based on assumed buildout values at the time of the Assessment Ordinance approval (the “Targeted Net Average Annual Installment”). See “APPENDIX C – Form of the Service and Assessment Plan.” TIRZ Revenues are not pledged as security for the Bonds under the Indenture. The Maximum TIRZ Annual Credit Amounts are shown in the following table:

**Maximum TIRZ Annual Credit Amount Per Lot Type in the District**

Lot Type	Maximum TIRZ Annual Credit Amount per Lot
1	\$665.68
2	\$750.30
3	\$868.77
4	\$1,004.17
5	\$851.65
6	\$986.12
7	\$1,139.80
8	\$1,258.27
9	\$1,052.76

<sup>(1)</sup> The Maximum TIRZ Annual Credit Amount for each Lot Type was established based on the Targeted Net Average Annual Installment. See “OVERLAPPING DEBT AND TAXES” and “APPENDIX B — Service and Assessment Plan.”

Lots in Improvement Area A-1 of the District are expected to receive the Maximum TIRZ Annual Credit Amount per lot as soon as TIRZ Revenues are sufficient therefor, which is expected to be the second year that a home on such lot is assessed.

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraised value in the TIRZ in any year. Consequently, TIRZ Revenues are generated only if the appraised value of real property in any year is greater than the base value. Any delay or failure of Master Developer to develop the Improvement Area A-1 of the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. **The TIRZ Annual Credit Amount is not expected to be sufficient to provide for the Targeted Net Average Annual Installment until the second year that a home on such lot is assessed. See “OVERLAPPING TAXES AND DEBT.” Such TIRZ Revenues, if available, are not pledged as security for the Bonds under the Indenture.**

If after the application of the TIRZ Annual Credit Amount there is an excess of TIRZ Revenues available from the TIRZ Fund, such excess TIRZ Revenues shall be held in a segregated account by the City and shall be used

to reimburse the Master Developer for public improvements up to the Reimbursement Cap, as further described in the Development Agreement. See “THE DEVELOPMENT AGREEMENT.”

Method of Apportionment of Assessments. For purpose of the Service and Assessment Plan, the City Council has determined that the estimated costs of the Improvement Area A-1 Projects shall be allocated to the Improvement Area A-1 Assessed Property by spreading the entire Assessment across the Assessed Property to be developed based on the estimated buildout value as set forth in the Service and Assessment Plan. See “APPENDIX B — Form of Service and Assessment Plan.” See “ASSESSMENT PROCEDURES — Assessment Methodology.”

Mandatory Prepayment of Assessments. If Assessed Property or portion thereof is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes Assessed Property or portion thereof to become Non-Benefited Property, the owner of such Assessed Property or portion thereof shall pay to the City the full amount of the Assessment, plus all Prepayment Costs and Delinquent Collection Costs (as defined in the Service and Assessment Plan), for such Assessed Property or portion thereof prior to any such transfer or act (a “Mandatory Prepayment”). The amount of a Mandatory Prepayment of an Assessment shall be calculated in accordance with the terms of the Service and Assessment Plan.

Reallocation of Assessments. Upon the division of any Assessed Property (without the recording of subdivision plat), the Administrator shall reallocate the Assessment for the Assessed Property prior to the division among the newly divided Assessed Properties according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

A = the Assessment for the newly divided Assessed Property

B = the Assessment for the Assessed Property prior to division

C = the estimated buildout value of the newly divided Assessed Property

D = the sum of the estimated buildout value for all of the newly divided Assessed Properties

The calculation of the Assessment of an Assessed Property shall be performed by the Administrator and shall be based on the estimated buildout value of that Assessed Property, as provided by the Master Developer, relying on information from homebuilders, market studies, appraisals, official public records of the County, and any other relevant information regarding the Assessed Property. The calculation as confirmed by the City Council shall be conclusive.

The sum of the Assessments for all newly divided Assessed Properties shall equal the Assessment for the Assessed Property prior to subdivision. The calculation shall be made separately for each newly divided Assessed Property. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the next Annual Service Plan Update and approved by the City Council.

Upon Subdivision by a Recorded Subdivision Plat. Upon the subdivision of any Assessed Property based on a recorded subdivision plat, the Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots based on estimated buildout value according to the following formula:

$$A = [B \times (C \div D)]/E$$

Where the terms have the following meanings:

A = the Assessment for the newly subdivided lot

B = the Assessment for the Parcel prior to subdivision

C = the sum of the estimated buildout value of all newly subdivided lots with same lot type

D = the sum of the estimated buildout value for all of the newly subdivided lots excluding Non-Benefitted Property

E= the number of newly subdivided lots with same lot type

Prior to the recording of a subdivision plat, the Master Developer shall provide the City an estimated buildout value as of the date of the recorded subdivision plat for each lot created by the recorded subdivision plat. The calculation of the Assessment for a lot shall be performed by the Administrator and confirmed by the City Council based on estimated buildout value information provided by the Master Developer, homebuilders, third party consultants, and/or the official public records of the County regarding the lot.

The sum of the Assessments for all newly subdivided lots shall not exceed the Assessment for the portion of the Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Assessed Property. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the next Annual Service Plan Update and approved by the City Council.

Upon Consolidation. If two or more Parcels are consolidated, the Administrator shall allocate the Assessments against the Parcels before the consolidation to the consolidated Parcel, which allocation shall be reflected in the next Annual Service Plan Update and approved by the City Council. The Assessment for any resulting parcel may not exceed the Maximum Assessment for the applicable lot type and compliance may require a mandatory Prepayment of Assessments.

True-Up of Assessments if Maximum Assessment Exceeded at Plat. Prior to the City approving a final subdivision plat, the Administrator will certify that such plat will not result in the Assessment per lot for any lot type to exceed the Maximum Assessment. If the Administrator determines that the resulting Assessment per lot for any lot type will exceed the Maximum Assessment for that lot type, then (1) the Assessment applicable to each lot type shall each be reduced to the Maximum Assessment, and (2) the person or entity filing the plat shall pay to the City the amount the Assessment was reduced, plus Prepayment Costs and Delinquent Collection Costs, if any, prior to the City approving the final plat. The City's approval of a plat without payment of such amounts does not eliminate the obligation of the person or entity filing the plat to pay such amounts.

Reduction of Assessments. If as a result of cost savings or the failure to construct all or a portion of an Authorized Improvement, the Actual Costs of completed Authorized Improvements are less than the Assessments, the Assessments shall be reduced on a pro-rata basis such that the sum of the resulting reduced Assessments for all Assessed Properties equals the reduced Actual Costs. Excess Bond proceeds shall be applied to redeem outstanding Bonds or for such other purposes authorized by the Indenture. The Assessments shall not, however, be reduced to an amount less than the amount required to pay all debt service requirements on all outstanding Bonds.

The Administrator shall update (and submit to the City Council for review and approval as part of the next Annual Service Plan Update) the Assessment Roll and corresponding Annual Installments to reflect the reduced Assessments.

### **Prepayment of Assessments**

Pursuant to the PID Act and the Indenture, the owner of any property assessed may voluntarily prepay (a "Prepayment") all or part of any Assessment levied against any Assessed Property, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

### **Priority of Lien**

The Assessments or any reassessment, the expense of collection, and reasonable attorney's fees, if incurred, constitute a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for the State, county, school district or municipality ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien is effective from the date of



the Assessment Ordinance until the Assessment is paid, and may be enforced by the City in the same manner as an ad valorem tax levied against real property may be enforced by the City. The owner of any property assessed may pay the entire Assessment levied against any lot, together with accrued interest to the date of payment, at any time.

### **Foreclosure Proceedings**

In the event of delinquency in the payment of any Annual Installment, except for unpaid Assessments on homestead property (unless the lien associated with the Assessment attached prior to the date the property became a homestead), the City is empowered to order institution of an action in state district court to foreclose the lien of such delinquent Annual Installment. In such action the real property subject to the delinquent Annual Installments may be sold at judicial foreclosure sale for the amount of such delinquent Annual Installments, plus penalties and interest.

Any sale of property for nonpayment of an installment or installments of an Assessment will be subject to the lien established for remaining unpaid installments of the Assessment against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent installments of the Assessments against such property as they become due and payable. Judicial foreclosure proceedings are not mandatory. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event there could be an additional delay in payment of the principal of and interest on Bonds or such payment may not be made in full. The City is not required under any circumstance to purchase the property or to pay the delinquent Assessment on the corresponding Assessed Property. In addition, the payment of delinquent ad valorem taxes is superior to the payment of the delinquent Annual Installment.

In the Indenture, the City will covenant to take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments, provided that the City is not required to expend any funds for collection and enforcement of Assessments other than funds on deposit in the Administrative Fund. Pursuant to the Indenture, Foreclosure Proceeds (excluding Delinquent Collection Costs) constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the City and are then distributed to the Redemption Fund in accordance with the Indenture. See "APPENDIX A – Form of Indenture." See also "APPENDIX D-1 – Form of City Disclosure Agreement" for a description of the expected timing of certain events with respect to collection of the delinquent Assessments.

In the Indenture, the City creates the Delinquency and Prepayment Reserve Account under the Reserve Fund and will fund such account as provided in the Indenture. The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If funds in the Administrative Fund are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See "SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund," and "– Administrative Fund," "APPENDIX A – Form of Indenture" and "APPENDIX B – Form of Service and Assessment Plan."

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## THE CITY

### Background

The City is located in the eastern portion Dallas County and the northwest portion of Kaufman County, adjacent to the City of Dallas. Access to the City is provided by Interstate 30, Interstate 635 and Interstate 20. The City covers approximately 47.22 square miles. Some of the services that the City provides are: public safety (police and fire personnel and equipment), health inspection and enforcement, water and sewer facilities, street and drainage facilities and parks and recreational facilities. The 2020 Census population for the City was 150,108, and U.S. Census Bureau estimated the 2022 population at 147,899.

### City Government

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1887, and first adopted its Home Rule Charter in 1953. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The Mayor and Councilmembers are elected for two year terms with elections held in November of odd-numbered years. The City Manager is the chief administrative officer for the City. The current members of the City Council and principal administrators of the City are listed on page ii hereof.

The City provides all the functions normally associated with a municipality including, but not limited to, public safety (i.e., police and fire personnel and equipment), health inspection and enforcement, water and sewer facilities, street and drainage facilities and parks and recreational facilities.

### Major Employers

The major employers in the City are set forth in the table below.

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Mesquite Independent School District	Education	5,487
Town East Mall	Shopping Center	2,750
United Parcel Service Inc.	Postal Carrier	2,300
Baker Triangle	Distribution/Delivery	1,900
City of Mesquite	Public Administration	1,251
Eastfield College	Education	900
Dallas Regional Medical Center	Health Care	900
Wal-Mart Supercenter	Retail	850
Pepsi Beverages Co	Manufacturing	800
Ashley Furniture	Distribution/Manufacturing	650

*Source: Texas Workforce Commission*

### Historical Employment in Mesquite

	Average Annual <sup>(1)</sup>					
	2023 <sup>(2)</sup>	2022	2021	2020	2019	2018
Civilian Labor Force	79,650	77,040	74,581	71,794	73,125	73,759
Total Employed	76,403	74,146	70,225	66,102	70,489	70,890
Total Unemployed	3,157	2,894	4,356	5,692	2,636	2,869
Unemployment Rate	4.0%	3.8%	5.8%	7.8%	3.6%	3.9%

<sup>(1)</sup> Source: Texas Workforce Commission.

<sup>(2)</sup> As of March 2023.

### Surrounding Economic Activity

The major employers of municipalities surrounding the City are set forth in the table below.

City of Dallas		City of Garland		City of Richardson	
Approximately 11 miles from the City		Approximately 10 miles from the City		Approximately 14 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
Dallas ISD	23,271	Garland ISD	7,211	State Farm Insurance	10,000
City of Dallas	13,000	City of Garland	2,046	Richardson ISD	5,961
AT&T Inc.	12,600	Kraft Heinz Company	1,222	The University of Texas at Dallas	3,455
Medical City Dallas	10,864	Sherwin Williams	636	Blue Cross & Blue Shield of Texas	3,100
Parkland Health & Hosp System	10,406	Epiroc Drilling Solutions	525	Infosys	2,600
Texas Instrument Inc.	9,800	U.S. Food Service	520	GEICO	2,300
Dallas County Community College	8,230	Anderson Windows	425	Raytheon	2,200
Methodist Dallas Medical Center	6,887	Arrow Fabricated Tubing	340	RealPage	2,100
Dallas County	6,500	General Dynamics OTS	329	Cisco Systems	2,000
Children's Health	6,276	Bass Pro Shops	300	Texas Instruments	1,800

City of Rockwall	
Approximately 13 Miles from the City	
Employer	Employees
Rockwall ISD	1,944
L-3 Harris Technologies	700
Pegasus Foods	650
Texas Health Presbyterian Hospital	611
Channell Commercial	380
Wal-Mart Superstore	350
Rockwall County	344
City of Rockwall	303
Texas Star Express	275
Karat by Lollicup USA	260

City of Forney	
Approximately 8 Miles from the City	
Employer	Employees
Forney ISD	1,390
Wal-Mart	398
Smurfit Kappa	260
Intex Electrical	250
Kroger Marketplace	222
Steve Silver Co.	200
Lowe's	165
City of Forney	160
Ridgecrest Healthcare & Rehab	160
Goodyear Tire & Rubber	160

Source: Municipal Advisory Council of Texas

## THE DISTRICT

### General

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created by the Creation Resolution for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Improvement Area A-1 Projects, authorized by the PID Act and approved by the City Council that confer a special benefit on the District property being developed. The District is not a separate political subdivision of the State and is governed by the City Council. A map of the property within the District is included on page v hereof.

### Powers and Authority

Pursuant to the PID Act, the City may establish and create the District and undertake, or reimburse a developer for the costs of improvement projects that confer a special benefit on property located within the District, whether located within the City limits or the City's extraterritorial jurisdiction. The District is currently located

entirely within the corporate limits of the City. See “THE DEVELOPMENT AGREEMENT” and “THE MASTER DEVELOPER – History and Financing of the District”. The PID Act provides that the City may levy and collect assessments on property in the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a developer for the costs of, the financing, acquisition, construction or improvement of the Improvement Area A-1 Projects. See “THE IMPROVEMENT AREA A-1 PROJECTS.” Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of the Improvement Area A-1 Projects and to finance a portion of the costs thereof through the issuance of the Bonds. The City has further determined to provide for the payment of debt service on the Bonds from the Pledged Revenues. See “SECURITY FOR THE BONDS,” “ASSESSMENT PROCEDURES” herein, “APPENDIX A — Form of Indenture,” and “APPENDIX B — Form of Service and Assessment Plan.”

### **THE DEVELOPMENT AGREEMENT**

The Master Developer, Huffines Communities, and the City entered into the Development Agreement with respect to the property in the District which sets forth certain rights and responsibilities of the City and the Master Developer with respect to the development of the project. Capitalized terms used under this heading “THE DEVELOPMENT AGREEMENT” and not otherwise defined herein shall have the meanings given to them in the Development Agreement.

The Development Agreement includes, inter alia, (i) certain agreements by the City with respect to the issuance of bonds for development in the District (“PID Bonds”), (ii) certain agreements by the Master Developer to fund amounts required for the development of Authorized Improvements in excess of those on deposit in the applicable project fund for bonds issued to fund such Authorized Improvements and to fund any “Developer Contribution” required by the City, (iii) certain agreements by the City in relation to the TIRZ assisting with financing of Public Improvements, (v) standards of construction for and the ownership and maintenance of the Authorized Improvements, (iv) development standards for the District, including an agreed on concept plan, and (vi) agreements with respect to permit, inspection, plan review, plat review and permit, public safety, park, and impact fees.

*Issuance of PID Bonds.* The Development Agreement further provides that the following conditions, inter alia, must be met prior to the issuance of PID Bonds:

- (i) the aggregate maximum par amount of all PID Bonds shall not exceed \$295,000,000; and
- (ii) the maximum overlapping tax rate when including all taxing entities and after the applicable TIRZ credit is applied shall be no greater than \$3.12 per \$100 of assessed value at the time of the levy of the Assessment on each PID Phase based on the Estimated Build Out Value of each parcel; such rate limit for each PID Phase as determined at the time of the levy of the Assessments applies on an individual assessed parcel basis by Lot Type based on Estimated Build Out Value, as will be set forth in more detail in the Service and Assessment Plan; and
- (iii) the City will only issue a series of PID Bonds if:
  - A. For Up Front Bonds: the total assessment value to lien ratio is at least 2:1 at the time of the levy of assessments and the total assessment value to lien ratio of each series of PID Bonds for each PID Phase is at least 3:1 at the time of the issuance of PID Bonds for each PID Phase; such values shall be confirmed by appraisal from licensed MAI appraiser; or
  - B. For Reimbursement Bonds: the total assessment value to lien ratio is at least 2:1 at the time of issuance of PID Bonds for each PID Phase in the Solterra Development; such values shall be confirmed by appraisal from a licensed MAI appraiser; provided, however, that the value to lien ratio of Improvement Area A-1 and Improvement Area C-1, as set forth in the applicable Service and Assessment Plan shall have a value to lien ratio of at least 1.5:1 at the time of the levy of Assessments; and

- C. Notwithstanding the foregoing, the City, subject to the discretion of the City Council, may agree to a total assessment value to lien ratio for each PID Phase at the time of the levy of assessments that is less than the ratio stated above and as set forth in the Development Agreement.
- D. Notwithstanding the foregoing, if the City, subject to the discretion of the City Council, issues PID Bonds at a time when a portion, but not all, of the Public Improvements to be financed by such PID Bonds are complete, then the City may approve a total assessment value to lien ratio for such PID Bonds of less than 3:1 based on the amount of completed Public Improvements compared to the amount of Public Improvements to be completed at the time such PID Bonds are issued.

The Development Agreement requires the Master Developer require the HOA, at its cost, to provide the City with a reserve study to calculate costs related to the public art, fountains, and monument signs (“Enhanced Features”) located within City rights-of-way that have been financed with the Bonds or that are owned by the City and maintained by the HOA (“Reserve Amount”). The funding of the Reserve Amount must begin within three years after the City accepts the Enhanced Features.

Amenities. Pursuant to the Development Agreement, the following amenities are required to be started prior to the issuance of the Certificate of Occupancy or final inspection for the 100th single family attached or detached residence within the Property and completed within 36 months after the City's final acceptance of the first platted phase of the “Public Improvements” as defined in the Development Agreement:

- (i) An amenity center with the following:
  - A. a minimum 9,000 square foot community building;
  - B. a minimum 1,200 square foot fishing building; and
  - C. a minimum 3,000 square foot indoor fitness facility;
- (ii) A pool complex with one junior Olympic-sized lap pool, one resort pool, one adult pool, and one tot pool with splash toys;
- (iii) A minimum of one playground;
- (iv) A covered community outdoor gathering space;
- (v) A minimum of one shade structure, two picnic tables, and two park benches for each active park (i.e., a park with playground equipment, sports field, or other similar facilities for activity);
- (vi) A minimum of two dog waste stations;
- (vii) Trash cans; and
- (viii) Park signage.

The Master Developer shall, at a minimum, construct the following amenities within open space by the time the Building Official approves the final inspection or the certificate of occupancy for the 200th dwelling unit within the District:

- (i) A minimum of one play structure (such as climbers, hangers, slides or spinners);
- (ii) A minimum of two picnic tables and two park benches for each active park (i.e., a park with playground equipment, sports field, or other similar facilities for activity);
- (iii) A minimum of one dog waste station;
- (iv) Trash cans;
- (v) Park signage;
- (vi) A minimum of one shade structure per park; and
- (vii) A pedestrian bridge improvement and extension to the existing trail as depicted in the Development Agreement.

In addition to the amenities described above, the Master Developer shall also construct the Mesquite Valley Road intersection improvements (estimated to cost \$1,194,429), the Twin Oaks Signalization Improvements (estimated to cost \$171,114). Such improvements shall be Public Improvements, and the cost of such improvements shall be Public Improvement Project Costs.

*Termination Events.* The Development Agreement provides that the Master Developer's rights to develop the Project may be terminated by the City if any of the following events occur:

- (i) The Master Developer does not own fee simple title to the Improvement Area A-1 property by December 1, 2023 or title to all property within the District by March 1, 2030;
- (ii) The City determines both (i) not to issue PID bonds to fund the construction of the Public Improvements for such PID Phase, and (ii) not to levy Assessments and enter into a PID Reimbursement Agreement and TIRZ PID Reimbursement Agreement, no later than the applicable Public Improvement Financing Date;
- (iii) The Master Developer fails to commence construction in Improvement Area A-1 by October 19, 2025;
- (iv) With respect to any Future Improvement Areas, if the Public Improvements do not reach the applicable Phase Completion Date, as may be extended pursuant to the Development Agreement;
- (v) The Master Developer does not satisfy the required Developer Contribution; or
- (vi) The occurrence of a material uncured Event of Default by the Master Developer as outlined in the Development Agreement.

*Applicability of Development Agreement.* The provisions in the Development Agreement shall apply to the property in the Development, or each portion of thereof, only once such portion of the property has been acquired by the Master Developer. Prior to the sale of approximately 237.562 acres to Solterra South, an affiliate of the Master Developer in June 2021, the Master Developer owned approximately 1,097.336 acres of land in the District, including all land in Improvement Area A-1. Huffines Land Holdings, an affiliate of the Master Developer, has an option to purchase the Lucas Property consisting of approximately 300.358 acres within the District as described under the heading "THE MASTER DEVELOPER – History and Financing of the District – Lucas Parties Purchase and Option Contract, and Acquisitions." See "THE MASTER DEVELOPER – History and Financing of the District." No assurance can be given that Huffines Land Holdings or the Master Developer will purchase the Lucas Property. Notwithstanding the foregoing, the Lucas Parties Contract provides that the Master Developer shall assign the Development Agreement with respect to any portions of the property for which the option to purchase such property has expired. Any assignment of the Development Agreement to a non-Affiliate of the Master Developer requires prior written consent of the City. See "THE MASTER DEVELOPER – History and Financing of the District – Lucas Parties Purchase and Option Contract, and Acquisitions."

*TIRZ Reimbursement Agreement.* Pursuant to the TIRZ Reimbursement Agreement, the City shall reimburse the Master Developer for Public Improvement Project Costs in Improvement Area A-1, Improvement Area C-1, Improvement Area C-2, Improvement Area C-3 and in Future Improvement Areas. Such reimbursement shall be made for the following purposes and in the following order of priority:

TIRZ Revenues collected from Improvement Area A-1 and Improvement Area C-1:

- (i) First, to pay the City administrative costs relating to the TIRZ, including any reasonable third-party administrative costs; and
- (ii) Second, for calendar years 2023-2032, to pay any outstanding invoices for wildlife mitigation services if the Master Developer or the HOA has not fully paid the amounts within thirty (30); provided, however, the aggregate payments for wildlife mitigation services within the Development, whether paid by the Master Developer, the HOA or from the TIRZ Fund shall not exceed \$100,000 per year; and

- (iii) Third, subsidize Assessments levied in Improvement Area A-1 and Improvement Area C-1 in order to lower the Annual Installments of the Assessments in Improvement Area A-1 and Improvement Area C-1 to a level that produces an overall tax equivalent tax rate of \$3.12 per \$100 of assessed value (determined to a level that produces an overall tax equivalent tax rate of \$3.12 per \$100 of assessed value (determined at the time of the levy) for each parcel within Improvement Area A-1 and Improvement Area C-1, as set forth in the Service and Assessment Plan;
- (iv) Fourth, to the Master Developer for the reimbursement of the Improvement Area A-1 Project Costs and Improvement Area C-1 Project Costs that will not otherwise be reimbursed to the Master Developer from Assessments, the proceeds of the Bonds or TIRZ Bonds, or from Roadway Capital Recovery until the total aggregate amount of three million (\$3,000,000) has been reimbursed from TIRZ Revenues
- (v) Fifth, for the payment of debt service on any TIRZ Bonds (as defined herein) issued by the City for the reimbursement of Improvement Area A-1 Project Costs and Improvement Area C-1 Project Costs; and
- (vi) Sixth, to the Master Developer for reimbursement of the Improvement Area A-1 Project Costs and Improvement Area C-1 Project Costs that will not otherwise be reimbursed to the Master Developer from Assessment Revenues, the proceeds of the Bonds or TIRZ Bonds, or from Roadway Capital Recovery Fees.

TIRZ Revenues collected from Improvement Area C-2, Improvement Area C-3 and Future Improvement Areas:

- (i) First, to pay the City administrative costs relating to the TIRZ, including any reasonable third-party administrative costs; and
- (ii) Second, for calendar years 2023-2032, to pay any outstanding invoices for wildlife mitigation services if the Master Developer or the HOA has not fully paid the amounts within thirty (30); provided, however, the aggregate payments for wildlife mitigation services within the Solterra Development, whether paid by the Master Developer, the HOA or from the TIRZ Fund shall not exceed \$100,000 per year; and
- (iii) Third, subsidize Assessments levied in Improvement Area AC-2, Improvement Area C-3 and Future Improvement Areas in order to lower the Annual Installments of the Assessments in Improvement Area AC-2, Improvement Area C-3 and Future Improvement Areas to a level that produces an overall tax equivalent tax rate of \$3.12 per \$100 of assessed value (determined at the time of the levy) for each parcel within Improvement Area AC-2, Improvement Area C-3 and Future Improvement Areas, as set forth in the Service and Assessment Plan;
- (iv) Fourth, (i) thirty percent (30%) of the remaining TIRZ Revenues shall be used by the City for the payment of City projects within the TIRZ pursuant to the Final TIRZ Plan, until a total aggregate amount of \$116,000,000 has been disbursed to the City, and (ii) Seventy percent (70%) of the remaining TIRZ Revenues shall be used for reimbursement to the Master Developer of the Improvement Area C-2 Project Costs, Improvement Area C-3 Project Costs and Future Improvement Area Project Costs that will not otherwise be reimbursed from Assessment Revenues, the proceeds of assessment revenue bonds issued for Improvement Area C-2, Improvement Area C-3 or Future Improvement Areas, TIRZ Bonds, or from Roadway Capital Recovery Fees.
- (v) Fifth, to the Master Developer once the amount set forth in subsection (d) above has been reached, the thirty percent (30%) of the TIRZ Revenues previously transferred to the City shall be used for reimbursement of the Improvement Area C-2 Project Costs, Improvement Area C-3 Project Costs and Future Improvement Area Project Costs that will not otherwise be reimbursed to the Master Developer from Assessment Revenues, the proceeds the proceeds of assessment revenue bonds

issued for Improvement Area C-2, Improvement Area C-3 or Future Improvement Areas, TIRZ Bonds, or from Roadway Capital Recovery Fees.

The City may issue debt obligations with a pledge, designation, transfer or use of its 30% share of the TIRZ Revenues (such obligations, “TIRZ Bonds”). Any TIRZ Bonds issued to reimburse the Master Developer shall have a pledge of 70% of the City Tax Increment. In consultation with the City’s financial advisor, each series of TIRZ Bonds shall be issued based on (i) 70% of the net TIRZ Revenues produced in the immediate past completed fiscal year are 2.0 times the average annual debt service requirements of the TIRZ Bonds to be issued, taking into account any TIRZ Bonds outstanding and (ii) as level of annual debt service, payments as reasonably possible, as determined by the City’s financial advisor. Notwithstanding the foregoing, the City, subject to the discretion of the City Council, may agree to a coverage factor for the issuance of TIRZ Bonds that is less than the 2.0 times stated above. In no event shall the Master Developer be reimbursed for all Public Improvement Costs in an aggregate amount that exceeds the Reimbursement Cap.

TIRZ Revenues are not pledged to the Bonds and the City does not represent that TIRZ Revenues will be available to subsidize the Assessments in any year. See “SECURITY FOR THE BONDS – TIRZ Revenues May Reduce Assessments.”

## **THE IMPROVEMENT AREA A-1 PROJECTS**

### **General**

The Improvement Area A-1 Projects consist of (a) Improvement Area A-1’s proportionate share of the costs of the Major Improvements, (b) Improvement Area A-1’s proportionate share of the costs of the Improvement Zone A Improvements, and (c) the costs of the Improvement Area A-1 Improvements. The Improvement Area A-1 Projects will be dedicated to the City. The Master Developer is responsible for the completion of the construction, acquisition or purchase of the Improvement Area A-1 Projects, and the Master Developer or its designee will act as construction manager. The City will pay a portion of the project costs for the Improvement Area A-1 Projects from proceeds of the Bonds. The Master Developer will submit payment requests on a monthly basis for costs actually incurred in developing and constructing the Improvement Area A-1 Projects and be reimbursed in accordance with the Indenture, the Development Agreement, the TIRZ Reimbursement Agreement and the PID Reimbursement Agreement. See “THE DEVELOPMENT – Improvement Area A-1 Development Plan and Status of Development” and “APPENDIX F – Form of PID Reimbursement Agreement.”

***Improvement Area A-1 Improvements.*** The Improvement Area A-1 Improvements, a portion of which are being financed with proceeds of the Bonds, include road, water, sanitary sewer, storm drainage, and landscaping, parks and open space improvements, including soft costs, benefitting only Improvement Area A-1 of the District.

- ***Roads***

Improvements including subgrade stabilization, concrete and reinforcing steel for roadways (including alleys, mews, and turn lanes), testing, handicapped ramps, sidewalks/trails and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, striping, barricades, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The road improvements will provide benefit to each Lot within Improvement Area A-1.1, Improvement Area A-1.2, and Improvement Area A-1.3.

- ***Sanitary Sewer***

Improvements including trench excavation and embedment, trench safety, PVC piping, ductile iron encasement, boring, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide sanitary sewer service to each Lot within Improvement Area A-1.1, Improvement Area A-1.2, and Improvement Area A-1.3.

- ***Storm Sewer***

Improvements including earthen channels, swales, curb and drop inlets, RCP piping and concrete box culverts, headwalls, wingwalls, concrete flumes, rock rip rap, concrete outfall structures, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm drainage for each Lot within Improvement Area A-1.1, Improvement Area A-1.2, and Improvement



Area A-3.

- *Water*

Improvements including trench excavation and embedment, trench safety, PVC piping, valves, fire hydrants, borings, manholes, service connections, testing, related earthwork, excavation, and erosion control, and all necessary appurtenances required to provide water service to each Lot within Improvement Area A-1.1, Improvement Area A-1.2, and Improvement Area A-1.3.

- *Landscaping*

Improvements including installation of landscaping, including irrigation, in public open spaces, entryway monuments and signs, establishment and improvement of lakes, park and open space for the benefit of the Lots within Improvement Area A-1.1, Improvement Area A-1.2 and Improvement Area A-1.3.

- *Soft Costs*

Costs related to designing, constructing, and installing the Improvement Area A-1 Improvements including land planning and landscape design, City and other regulatory agency fees, engineering, soil testing, survey, construction management, contingency, legal fees, and consultant fees.

***Improvement Zone A Improvements.*** The Improvement Area A-1 Projects will also include Improvement Area A-1's allocable share of certain Improvement Zone A Improvements, as described below:

- *Roads*

Improvements including subgrade stabilization, concrete and reinforcing steel for roadways, testing, handicapped ramps, sidewalk/trails, and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, striping, barricades, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The road improvements will provide benefit to each Lot within Improvement Zone A.

- *Sanitary Sewer*

Improvements including trench excavation and embedment, trench safety, PVC piping, ductile iron encasement, boring, manholes, service connections, testing, related earthwork, excavation, erosion control and all necessary appurtenances required to provide sanitary sewer service to each Lot within Improvement Zone A.

- *Storm Sewer*

Improvements including floodplain reclamation, earthen channels, swales, curb and drop inlets, RCP piping and concrete box culvers, headwalls, wingwalls, concrete flumes, rock rip rap, concrete outfall structures, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm sewer for each Lot within Improvement Zone A.

- *Water*

Improvements including trench excavation and embedment, trench safety, PVC piping, valves, fire hydrants, borings, manholes, service connections, testing, related earthwork, excavation, and erosion control, and all necessary appurtenances required to provide water service to each Lot within Improvement Zone A.

- *Landscaping*

Improvements including installation of landscaping, including irrigation, in public open spaces, improvement of park and open space for the benefit of the Lots within Improvement Zone A.

- *Soft Costs*

Costs related to designing, constructing, and installing the Improvement Zone A Improvements including land planning and landscape design, City and other regulatory agency fees, engineering, soil testing, survey, construction management, contingency, legal fees, and consultant fees.

***Major Improvements.*** The Improvement Area A-1 Projects will also include Improvement Area A-1's allocable share of certain Major Improvements, as described below:

- *Roads*

Improvements including subgrade stabilization, concrete and reinforcing steel for roadways (including left/right turn lanes and roundabouts), testing, handicapped ramps, sidewalks/trails, traffic signalization, and streetlights. All related earthwork, excavation, erosion control, retaining walls, intersections, signage, striping, barricades, lighting and re-vegetation of all disturbed areas within the right-of-way are included. The road improvements will provide benefit to each Lot within the District.

- *Storm Sewer*

Improvements including earthen channels, lakes, swales, curb and drop inlets, RCP piping and concrete box culverts, headwalls, wingwalls, lake edge walls, concrete flumes, rock rip rap, concrete outfall structures, and testing as well as all related earthwork, excavation, erosion control and all necessary appurtenances required to provide storm sewer for all Lots within the District.

- *Landscaping*

Improvements including installation of landscaping, including irrigation, in public open spaces, entryway monuments and signs, establishment and improvement of lakes, ponds, park and open space for the benefit of all Lots within the District.

- *Soft Costs*

Costs related to designing, constructing, and installing the Major Improvements including land planning and landscape design, City and other regulatory fees, engineering, soil testing, survey, construction management, contingency, District Formation Expenses, legal fees, and consultant fees.

The cost of the Improvement Area A-1 Projects is expected to be approximately \$45,872,073\*. Proceeds of the Bonds in the amount of \$33,425,000\* is expected to be paid with proceeds of the Bonds. The balance of such costs has been or is expected to be paid by the Master Developer with funds from the Trez Loan, earnest money from builders and Master Developer equity. The Master Developer also expects to construct certain private improvements (the "Private Improvements"), including the amenities described under "THE DEVELOPMENT – Amenities."

The following table reflects the total expected costs of the Improvement Area A-1 Projects (allocated among Improvement Area A-1.1, A-1.2 and A-1.3), along with the allocation of the Improvement Zone A Improvements and Major Improvements to the Improvement Zone A – Remainder Property, and bond issuance costs:

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\* Preliminary; subject to change.

	Total Cost	Private Cost	PID Eligible Costs	Improvement Zone A								
				Improvement Area A-1.1		Improvement Area A-1.2		Improvement Area A-1.3		Improvement Zone A Remainder Area Apportioned Property		
				%	Cost	%	Cost	%	Cost	%	Cost	
<b>Zone A Improvements</b> <sup>[a],[b]</sup>												
Roads	\$ 1,023,359	\$ -	\$ 1,023,359	14.86%	\$ 152,091	22.88%	\$ 234,161	4.14%	\$ 42,337	58.12%	\$ 594,771	
Sanitary Sewer	1,115,573	-	1,115,573	14.86%	165,795	22.88%	255,261	4.14%	46,152	58.12%	648,366	
Storm Sewer	3,032,640	-	3,032,640	14.86%	450,708	22.88%	693,916	4.14%	125,461	58.12%	1,762,556	
Water	954,474	-	954,474	14.86%	141,853	22.88%	218,399	4.14%	39,487	58.12%	554,736	
Landscaping	605,206	-	605,206	14.86%	89,945	22.88%	138,481	4.14%	25,038	58.12%	351,743	
Soft Costs	1,167,500	-	1,167,500	14.86%	173,513	22.88%	267,142	4.14%	48,300	58.12%	678,545	
	<u>\$ 7,898,752</u>	<u>\$ -</u>	<u>\$ 7,898,752</u>		<u>\$ 1,173,904</u>		<u>\$ 1,807,358</u>		<u>\$ 326,774</u>		<u>\$ 4,590,716</u>	
<b>Improvement Area A-1 Improvements</b> <sup>[a]</sup>												
Roads	\$ 12,288,802	\$ -	\$ 12,288,802	35.49%	\$ 4,360,858	54.64%	\$ 6,714,035	9.88%	\$ 1,213,909	0.00%	\$ -	
Sanitary Sewer	4,677,782	-	4,677,782	35.49%	1,659,978	54.64%	2,555,724	9.88%	462,080	0.00%	-	
Storm Sewer	6,579,075	-	6,579,075	35.49%	2,334,679	54.64%	3,594,503	9.88%	649,893	0.00%	-	
Water	4,975,077	-	4,975,077	35.49%	1,765,477	54.64%	2,718,153	9.88%	491,447	0.00%	-	
Landscaping	49,725	-	49,725	35.49%	17,646	54.64%	27,167	9.88%	4,912	0.00%	-	
Soft Costs	4,625,900	-	4,625,900	35.49%	1,641,567	54.64%	2,527,378	9.88%	456,955	0.00%	-	
	<u>\$ 33,196,361</u>	<u>\$ -</u>	<u>\$ 33,196,361</u>		<u>\$ 11,780,205</u>		<u>\$ 18,136,961</u>		<u>\$ 3,279,195</u>		<u>\$ -</u>	
<b>Major Improvements</b> <sup>[a],[b]</sup>												
Roads	\$ 3,049,668	\$ -	\$ 3,049,668	7.03%	\$ 453,238	10.83%	\$ 697,812	1.96%	\$ 126,166	27.50%	\$ 1,772,452	
Sanitary Sewer	-	-	-	7.03%	-	10.83%	-	1.96%	-	27.50%	-	
Storm Sewer	701,782	-	701,782	7.03%	104,298	10.83%	160,579	1.96%	29,033	27.50%	407,872	
Retaining Walls	-	-	-	7.03%	-	10.83%	-	1.96%	-	27.50%	-	
Landscaping	3,325,240	-	3,325,240	7.03%	494,194	10.83%	760,867	1.96%	137,566	27.50%	1,932,613	
Soft Costs	1,295,648	-	1,295,648	7.03%	192,558	10.83%	296,465	1.96%	53,601	27.50%	753,024	
	<u>\$ 8,372,337</u>	<u>\$ -</u>	<u>\$ 8,372,337</u>		<u>\$ 1,244,288</u>		<u>\$ 1,915,722</u>		<u>\$ 346,366</u>		<u>\$ 4,865,962</u>	
<b>Private Improvements</b> <sup>[a]</sup>	<u>\$ 22,829,043</u>	<u>\$ 22,829,043</u>	<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>	
<b>Bond Issuance Costs</b>												
Debt Service Reserve Fund	\$ 2,570,100	\$ -	\$ 2,570,100		\$ 877,850		\$ 1,423,725		\$ 268,525		\$ -	
Capitalized Interest	222,950	-	222,950		-		-		222,950		-	
Underwriter Discount	668,500	-	668,500		228,600		371,300		68,600		-	
Underwriter Counsel	334,250	-	334,250		114,300		185,650		34,300		-	
Cost of Issuance	2,005,500	-	2,005,500		685,800		1,113,900		205,800		-	
	<u>\$ 5,801,300</u>	<u>\$ -</u>	<u>\$ 5,801,300</u>		<u>\$ 1,906,550</u>		<u>\$ 3,094,575</u>		<u>\$ 800,175</u>		<u>\$ -</u>	
<b>Other Costs</b> <sup>[a]</sup>												
Initial Deposit to Administrative Fund	\$ 60,000	\$ -	\$ 60,000		\$ 21,292		\$ 32,781		\$ 5,927		\$ -	
	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>		<u>\$ 21,292</u>		<u>\$ 32,781</u>		<u>\$ 5,927</u>		<u>\$ -</u>	
<b>Total</b>	<b>\$ 78,157,794</b>	<b>\$ 22,829,043</b>	<b>\$ 55,328,750</b>		<b>\$ 16,126,239</b>		<b>\$ 24,987,398</b>		<b>\$ 4,758,436</b>		<b>\$ 9,456,677</b>	

**Footnotes:**

- [a] Based on the Engineer's Report attached hereto as **Appendix A**.
- [b] Cost allocated based on Estimated Buildout Value.
- [c] Major Improvements only show Improvement Zone A allocation of costs, as further described in **Exhibit B-4**.
- [d] Cost allocated based on Outstanding Assessment.

## **Ownership and Maintenance of Improvement Area A-1 Projects**

The Improvement Area A-1 Projects will be dedicated to and accepted by the City and will constitute a portion of the City's infrastructure improvements. The City will provide for the ongoing operation, maintenance and repair of such Improvement Area A-1 Projects constructed and conveyed, except as described below.

The Master Developer or the HOA shall maintain certain landscaping, medians, major trail segments, creeks, and parks in Improvement Area A-1 pursuant to a maintenance agreement with the City.

## **THE DEVELOPMENT**

The following information, as it relates to the Master Developer, has been provided by the Master Developer and as it relates to Lennar, has been provided by Lennar. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. See "SOURCES OF INFORMATION – Source of Certain Information."

### **Overview**

The Development is an approximately 1,424 acre master planned project located within the corporate limits of the City, near the intersection of E. Cartwright Road and Faithon P. Sr. Lucas Boulevard. The Development is located approximately 18 miles east of the City of Dallas, 25 miles southeast of Dallas Love Field Airport and 38 miles southeast of Dallas-Fort Worth International Airport. The City is located in the eastern portion of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area. The Development is located within the Mesquite Independent School District.

The Master Developer develops infrastructure and community improvements (amenities, parks, trails, etc.) and sells residential lots to high-quality production homebuilders under lot takedown contracts. See "THE MASTER DEVELOPER." The Development will include a variety of parks, trails, an amenity center and open space areas for its residents and others to enjoy. This combination will provide its residents a community environment in which to live. Lennar is a subsidiary of a publicly-traded production homebuilding company which develops infrastructure and communities and purchases completed lots under lot takedown contracts.

### **Overall Development Plan**

The Development is composed of approximately 1,424.398 acres which are being developed in multiple phases as a master-planned residential community commonly known as Solterra, which is expected to consist of 3,324 single-family residential lots in Townhome, Cluster (35'), 40', 50', 60' and 70' sizes at buildout. The District is divided into three Improvement Zones: Improvement Zone A, Improvement Zone B, and Improvement Zone C. Each Improvement Zone is expected to be further subdivided into separate improvement areas. Improvement Zone A consists of 721.818 acres, which includes the 257.640 acres designated as Improvement Area A-1 and the approximately 464.178 acres designated as the Improvement Zone A – Remainder Property. Improvement Area A-1 is further subdivided into three areas designated as Improvement Area A-1.1 consisting of approximately 69.573 acres made up of smaller Phases known as 1A, 1B and 1C; Improvement Area A-1.2 consisting of approximately 123.11 acres made up of Phases 1D, 1E, and 1F; and, Improvement Area A-1.3 consisting of approximately 17.153 acres made up of Phase 1G. The remaining approximately 47.804 acres known as Phase 1H within Improvement Area A-1 will be open space areas with the exception of approximately 8.33 acres currently anticipated to be used for an amenity center. Improvement Zone B consists of approximately 285.50 acres. Improvement Zone C consists of 417.08 acres, which includes the 90.988 acres designated as Improvement Area C-1, the 38.882 acres designated as Improvement Area C-2, the 34.79 acres designated as Improvement Area C-3, and the approximately 252.42 acres designated as the Improvement Zone C – Remainder Property. The boundaries of the District and the Improvement Zones are shown in the "MAP SHOWING BOUNDARIES OF THE DISTRICT AND IMPROVEMENT ZONES" on page v.

The Master Developer expects to complete the Development in Improvement Zones A and B in 7 phases over a fifteen year period, with the expected completion of the infrastructure serving the District by Q1 2036. The current development plan begins with the development of Improvement Area A-1, followed by the development of

the Future Improvement Areas, including the Major Improvements and Improvement Zone improvements that benefit each Future Improvement Area. The Master Developer is expected to install certain Major Improvements that benefit the entire District and to develop the land in Improvement Zone A and Improvement Zone B into finished lots for sale to various homebuilders. Lennar is expected to develop finished lots and build homes in Improvement Zone C of the District. Lennar expects to complete the development in Improvement Zone C over a period of 3 years. The Master Developer and Lennar are expected to develop their respective land in the District in phases.

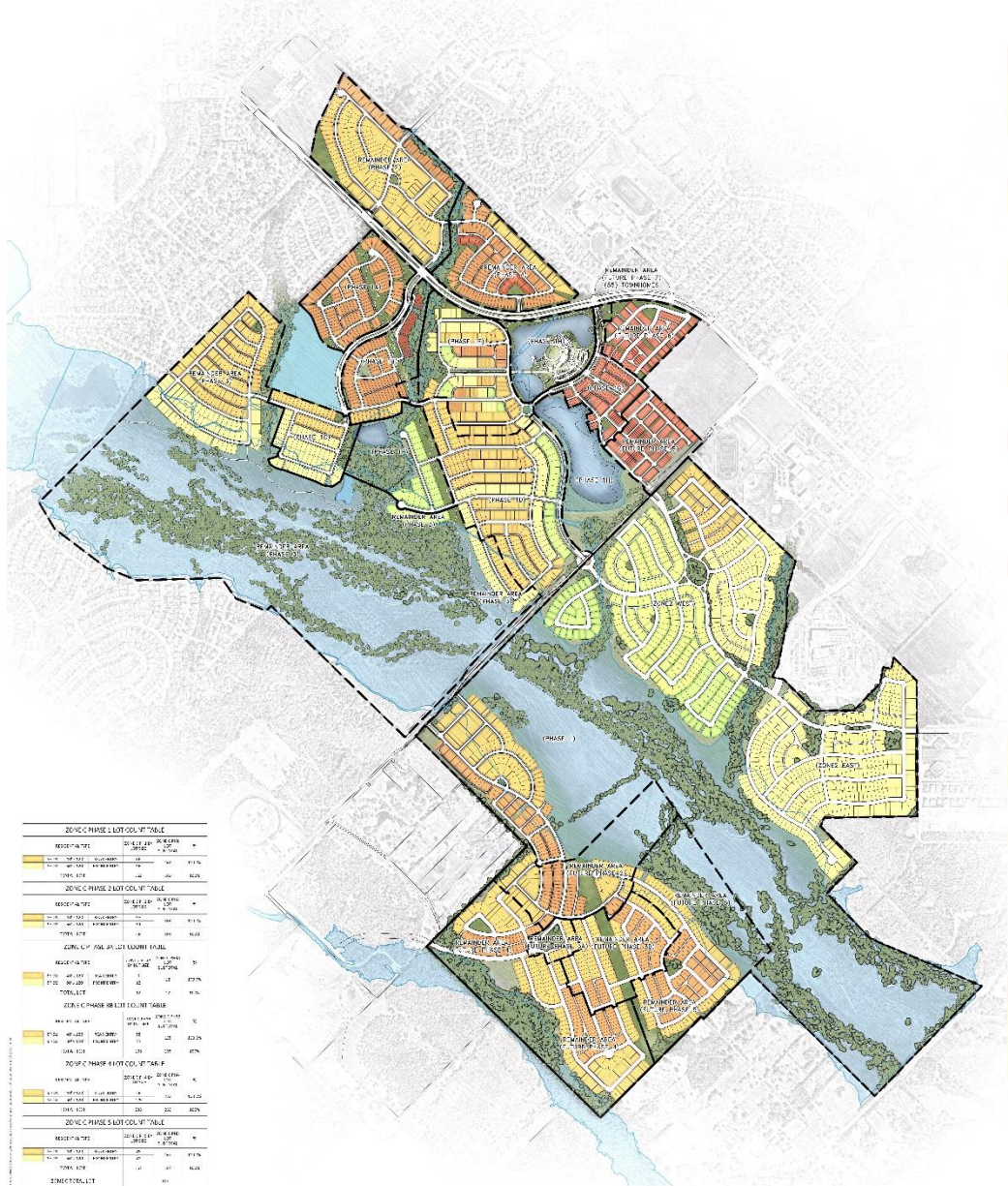
The current ownership of land in the District is as follows:

<b>Improvement Zone</b>	<b>Owner</b>	<b>Acres/Finished Lots</b>
A	HC Solterra	859.774 (less 75 lots delivered to builders and less 34.4 acres City ROW)
A-1	Homebuilders in Improvement Area A-1	75 lots
B/C	Lucas Parties	300.358
C	KLLB (held pursuant to the Lennar Zone Phase One Option Agreement)	164.659 (less 1.9 acres City ROW)
	Solterra South	72.903
A/C	City of Mesquite (Public Right of Way)	36.3

### Concept Plan

Below is the current concept plan of the Development as approved by the City. The concept plan is conceptual and subject to change consistent with the City's zoning and subdivision regulations.

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ZONE C PHASE 1 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE C PHASE 2 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE C PHASE 3 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE C PHASE 4 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE C PHASE 5 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE C PHASE 6 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE C PHASE 7 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE C PHASE 8 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE C PHASE 9 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 1 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 2 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 3 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 4 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 5 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 6 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 7 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 8 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 9 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 10 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

ZONE A PHASE 11 LOT COUNT TABLE			
USE	AREA (SQ FT)	AREA (AC)	% OF TOTAL
RESIDENTIAL	1,234,567	28.2	81.5%
TOTAL	1,234,567	28.2	81.5%

**LA SOLTERRA**  
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 WWW.LASOLTERRA.COM

**Improvement Area A-1 – Development Plan and Status of Development**

In June 2021, the Master Developer began the initial phase of development within Improvement Zone A by commencing construction of: (1) the Major Improvements; (2) the Improvement Zone A Improvements, and (3) the Improvement Area A-1 Improvements.

The Master Developer has completed construction of the Improvement Area A-1 Projects within Improvement Area A-1.1, which consists of subphases known as Phase 1A, Phase 1B and Phase 1C. On December 20, 2022, the City approved the final plat for 27.004 acres known as “Phase 1A” within Improvement Area A-1.1. On November 14, 2022, the City approved the final plat for 22.521 acres known as “Phase 1B” within Improvement Area A-1.1. On January 9, 2023, the City approved the final plat for 20.048 acres known as “Phase 1C” within Improvement Area A-1.1. Development of Improvement Area A-1.2, consisting of Phase 1D, Phase 1E and Phase 1F, began in October 2021 and is expected to be complete in June 2023. The Master Developer began construction within Improvement Area A-1.3 consisting of Phase 1G as the final portion of Improvement Area A-1 in October 2021 and anticipates completion of Improvement Area A-1.3 by 3Q 2023. In the future, the Master Developer will develop the remaining land in Improvement Zone A and Improvement Zone B into finished lots for sale to various homebuilders.

The cost of the Improvement Area A-1 Projects is expected to be approximately \$45,872,073\*. Proceeds of the Bonds in the amount of \$33,425,000\* will pay for a portion of the costs of the Improvement Area A-1 Projects. The Master Developer will finance the balance of the Improvement Area A-1 Projects not paid with proceeds of the Bonds through a Developer Contribution consisting of completed Improvement Area A-1 Projects. As of June 1, 2023, the Master Developer has expended approximately \$6,060,000 on the Major Improvements, \$4,470,000 on the Improvement Zone A Improvements, and \$26,105,000 on the Improvement Area A-1 Improvements; and, all of such expenditures were funded by the Trez Loan. The remaining cost of the Improvement Area A-1 Improvements is forecasted to be approximately \$7,091,361 and have been or will be funded by the Master Developer from the Trez Loan. As of April 30, 2023, the Master Developer has transferred 75 lots within Improvement Area A-1.1 to homebuilders in Improvement Area A-1. See “THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements in Improvement Area A-1.”

**Merchant Builder Lot Purchase and Sale Agreements in Improvement Area A-1**

The Master Developer has entered into contracts for the sale of 761 of the 787 lots within Improvement Area A-1 the District (the “Lot Purchase and Sale Agreements”) with the following builders:

- Cadence Homes
- Castle Rock
- Chesmar Homes
- First Texas Homes, Inc.
- Highland Homes
- HMH Lifestyle
- Impression Homes
- Coventry Homes (MHI Partners)
- Shaddock Homes
- Brightland (Gehan) Homes
- David Weekley Homes
- St. Vincent Homes

The builders within Improvement Area A-1 of the District are regional homebuilders active throughout Texas. The following table provides a summary of certain terms of and the take down schedule under each Lot Purchase and Sale Agreement.

**LOT PURCHASE AND SALE AGREEMENTS**

<u>Builder</u>	<u>Number of Lots Contracted</u>	<u>Earnest Money Deposited/Released</u>	<u>Base Lot Price</u>	<u>Lot Takedown Schedule</u>	<u>Lots Delivered as of April 30, 2023</u>
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\* Preliminary; subject to change.

Cadence Homes	56 – Townhome	\$360,000	\$51,500 + 7% annual appreciation	Initial Closing (“IC”): 12 lots, 10 days after Substantial Completion 11 lots every 90 days after IC	0
Castle Rock	41 – 50’	\$461,250	\$77,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 20 lots, 10 days after Substantial Completion 21 lots within 360 days of IC unless FEMA lots, then later of 360 days from IC or 15 days after Seller has satisfied LOMR condition in Lot Contract	0
	54 – 60’	\$756,900	\$89,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 16 lots, 10 days after Substantial Completion 16 lots in one or more closings so long as all 16 lots are purchased within 120 days after IC 15 lots in one or more closings so long as all 15 lots are purchased within 210 days after IC 7 lots in one or more closings so long as all 7 lots are purchased on or before 300 days after IC	0
	22 – 70’	\$317,625	\$98,250 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 8 lots, 10 days after Substantial Completion 8 lots in one or more closings so long as all 8 lots are purchased within 120 days after IC 6 lots in one or more closings so long as all 6 lots are purchased within 210 days after IC	0
Chesmar Homes	50 – 40’	\$477,750	\$66,500 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 5 lots, 15 days after Substantial Completion 20 lots in one or more closings so long as all 20 lots are purchased within 15 days of Substantial Completion of Phase 1B 13 lots in one or more closings so long as all 13 lots are purchased within 15 days of Substantial Completion of Phase 1E (“Chesmar Takedown #3”) 12 lots in one or more closings so long as all 12 lots are purchased on or before 90 days after Chesmar Takedown 3	25
First Texas	62 – 50’	\$697,500	\$77,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 31 lots 31 within a year of IC unless FEMA lots then later of subsequent closing date or 15 days after satisfaction of LOMR Condition in Lot Contract	9 (early takedowns, prior to substantial completion)
	46 – 50’ (Tri Pointe Lots)	\$10.00	\$77,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 46 lots, 10 days after Substantial Completion	0
	22 – 70’	\$317,625	\$98,250 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 8 lots 8 lots in one or more closings, so long as all 8 lots are purchased within 120 days after IC 6 lots in one or more closings, so long as all 6 lots are purchased within 210 days after IC	0
Highland Homes	62 – 50’	\$697,500	\$77,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 31 lots, 10 days after Substantial Completion 15 lots in one or more closings, so long as all 15 lots are purchased within 180 days after IC	3 (early takedowns, prior to substantial completion)



				16 lots within 360 days after IC unless FEMA lots then later of SC date or 15 days after satisfaction of LOMR Condition in Lot Contract	
HMH Lifestyles	45 – 40'	\$477,750	\$66,500 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing ("IC"): 25 lots, 10 days after Substantial Completion has been met for at least 25 lots  12 lots in one or more closings, so long as all 12 lots are purchased within 90 days of IC  8 lots in one or more closings, so long as all 8 lots are purchased within 180 days of IC	25
	55 – Townhome	\$360,000	\$51,500 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing ("IC"): 15 lots, 10 days after Substantial Completion has been met for at least 15 lots  14 lots in one or more closings, so long as all 14 lots are purchased within 90 days of IC  13 lots in one or more closings, so long as all 13 lots are purchased within 180 days of IC  13 lots in one or more closings, so long as all 13 lots are purchased within 360 days of IC	0
Impression Homes	45 – 40'	\$477,750	\$66,500 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing ("IC"): 25 lots, 10 days after Substantial Completion  12 lots in one or more closings, so long as all 12 lots are purchased within 120 days of IC  8 lots in one or more closings, so long as all 8 lots are purchased within 210 days of IC	5 (early takedowns, prior to substantial completion)
Coventry Homes (MHI Partnership)	36 – 60'	\$469,800	\$89,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing ("IC"): 7 lots, 10 days after Substantial Completion  10 lots in one or more closings, so long as all 10 lots are purchased within 120 days of IC  6 lots in one or more closings, so long as all 6 lots are purchased within 240 days of IC  5 lots in one or more closings, so long as all 5 lots are purchased within 270 days of IC  8 lots in one or more closings, so long as all 8 lots are purchased within 360 days of IC	0
Shaddock Homes	36 – 60'	\$469,800	\$89,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing ("IC"): 13 lots, 10 days after Substantial Completion  12 lots in one or more closings so long as 12 lots are acquired within 150 days of IC  11 lots in one or more closings so long as 11 lots are acquired within 240 days of IC unless FEMA lots then later of subsequent closing date or 15 days after satisfaction of LOMR Condition in Lot Contract	0
Brightland (Gehan) Homes	41 – 50'	\$461,250	\$77,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing ("IC"): 20 lots, 10 days after Substantial Completion  21 lots in one or more closings so long as 21 lots are purchased within 180 days of IC unless FEMA lots then later of second closing date or 15 days after satisfaction of LOMR Condition in Lot Contract	0

St. Vincent	16 – 50' (Tri Pointe Lots)	\$10.00	\$77,000 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 1 lot, 10 days after Substantial Completion All 16 lots within 18 months of contract effective date	0
Weekley Homes	51 – 40'	\$477,750	\$66,500 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 13 lots, 10 days after Substantial Completion 12 lots in one or more closings, so long as all 12 lots are purchased within 180 days of IC 26 lots in one or more closings, so long as all 26 lots are purchased within 12 months of IC	3 (early takedowns, prior to substantial completion)
	21 – 35'	\$174,000	\$59,500 + 7% annual appreciation (plus any applicable lot premium)	Initial Closing (“IC”): 5 lots, 10 days after Substantial Completion 5 lots in one or more closings, so long as all 5 lots are purchased within 180 days of IC 11 lots in one or more closings, so long as all 11 lots are purchased within 12 months of IC	5
Total Lots Under Contract	761				

The Master Developer has entered into earnest money deeds of trust with the respective builders to secure the earnest money described above.

In addition to the Lot Purchase and Sale Agreements described above, the Master Developer previously entered into a contract (the “Tri Pointe Contract”) to sell 46 lots in Improvement Area A-1 to Tri Pointe Homes, DFW, LLC (“Tri Pointe”). The Tri Pointe Contract was terminated and replaced with the contract with First Texas Homes. However, Tri Pointe had previously deposited \$652,000 in earnest money to the Master Developer. Tri Pointe has retained their earnest money deed of trust of the 46 lots and, upon the earlier of the sale of at least 46 lots to First Texas, the Master Developer shall cause the entire amount to be delivered to Tri Pointe to satisfy the Master Developer’s obligations under the earnest money deed of trust in favor of Tri Pointe.

### **Improvement Zone C, the Lennar Zone C Contract and the Lennar Zone C Phase One Option Agreement**

Lennar will serve as the finished lot developer and the homebuilder in Improvement Zone C and will construct the Lennar Zone C Public Improvements, which include the Improvement Area C-1 Projects, the Improvement Area C-2 Projects and the Improvement Area C-3 Projects.

The Master Developer entered into a Contract of Sale with Lennar for the land in Improvement Zone C (the “Lennar Zone C Contract”) pursuant to which the Master Developer sold an approximately 164.659 acre portion of the property located in Improvement Zone C of the District to Lennar on June 17, 2021 at a price of \$9,200,000. Such purchase was funded by Lennar with cash. The Lennar Zone C Contract was subsequently assigned by the Master Developer to Solterra South. Lennar is expected to purchase the approximately 237.562 acres of the remaining land located in Improvement Zone C (the “Zone C Phase Two Property”) pursuant to the Lennar Zone C Contract at a cash purchase price of \$8,000,000 in addition to the additional consideration provided through reimbursements from the issuance of bonds to fund improvements as described under “THE MASTER DEVELOPER – History and Financing of the District – *Subsequent Transfers (Solterra South and Lennar)*.” Lennar has deposited \$1,200,000 in earnest money under the Lennar Zone C Contract, which earnest money has been released to Solterra South and is secured by an earnest money deed of trust encumbering the Zone C Phase Two Property. Under the terms of the Lennar Zone C Contract, Lennar’s closing on the Zone C Phase Two Property must occur on or before March 5, 2024.

Solterra South retained rights to reimbursements related to the Lennar Zone C Public Improvements provided that Solterra South shall transfer up to \$10,000,000 in reimbursements received from the proceeds of bonds issued for the Lennar Zone C Public Improvements to Lennar as described under “THE MASTER DEVELOPER – History and Financing of the District – *Subsequent Transfers (Solterra South and Lennar)*.”

Under the Lennar Zone C Contract, Lennar is obligated to construct certain amenities for exclusive use by residents in Improvement Zone C. See “THE DEVELOPMENT – Amenities – Improvement Zone C Amenities.”

Lennar Zone C Phase One Option Agreement. Lennar and KLLB entered into an Option Agreement related to the Zone C Phase One Property, effective as of February 9, 2022 (the “Lennar Zone C Phase One Option Agreement”). Pursuant to the Lennar Zone C Phase One Option Agreement, KLLB took title to the Zone C Phase One Property and holds such Zone C Phase One Property as a land bank for Lennar for long term financing purposes. KLLB is a single purpose entity formed by Kennedy Lewis Investment Management, LLC, a privately held investment management firm that focuses on middle-market companies that are facing disruption and partnering with high growth companies to provide structured capital solutions. More information on Kennedy Lewis Investment Management, LLC can be found at <https://www.klimllc.com>.

At closing of the Lennar Zone C Phase One Option Agreement, Lennar paid a non-refundable option fee in the amount of \$5,463,938 to KLLB (the “Option Fee”). Pursuant to the Lennar Zone C Phase One Option Agreement, Lennar holds an exclusive option to buy back the Zone C Phase One Property, which property is expected to be taken down as approximately 409 finished lots (each, an “Option Lot” and collectively, the “Option Lots”). The Option Lots are comprised of 174 forty (40’) lots and 235 fifty (50’) lots. During KLLB’s ownership of the Zone C Phase One Property during the option period (which extends to November 2025), KLLB is expected to finance 100% of the development costs (to the extent any development costs remained), taxes, and other customary costs Lennar, as owner, would otherwise have incurred, all of which is factored into the buyback price for the real estate once Lennar elects its option to buy a developed Option Lot back.

Upon completion of the development work related to an Option Lot, Lennar expects to buy back all the Option Lots on a pre-negotiated takedown schedule, currently 4-9 of the 40’ Option Lots each month beginning in July 2023 and 7-12 of 50’ Option Lots each month beginning in January 2024. Lennar may also elect to accelerate such lot takedowns or repurchase the Zone C Phase One Property in bulk pursuant to the terms of the Lennar Zone C Phase One Option Agreement. In addition, the Lennar Zone C Phase One Option Agreement provides that in, upon the occurrence of certain “Market Conditions” (a seasonally adjusted home sale price decline of greater than 10% in the MSA in which the Option Lots are located or a pandemic or similar event which materially and adversely effects Lennar’s ability to construct and market homes), Lennar and KLLB may designate a 6 month “Pause Period” during which no closings will occur. The Pause Period may be extended during the Option Term subject to the existence of a Market Condition. During such Pause Period, Lennar shall pay a monthly option payment. The price of each Option Lot will pay back the original purchase price of the real estate (on a per lot allocated basis) plus all additional development costs advanced, interest and a preferred return. Upon completion of the last Option Lot takedown, Lennar’s exclusive option terminates.

The Lennar Zone C Phase One Option Agreement does not obligate Lennar to repurchase the Zone C Phase One Property, and a failure to exercise the option granted by the Lennar Zone C Phase One Option Agreement does not constitute a default under such agreement. In addition, to the extent that Lennar has not repurchased all or a portion of the Zone C Phase One Property upon the expiration or termination of the Lennar Zone C Phase One Option Agreement, Lennar shall pay to KLLB a pro rata portion of any reimbursement amounts due to Lennar and relating to the District and the applicable portion of the Improvement Area C-1 Improvements.

Lennar and KLLB have entered into a Construction Agreement dated as of February 9, 2022 (the “Construction Agreement”) pursuant to which KLLB has engaged Lennar as “Contractor” for the development of the Option Lots on the Zone C Phase One Property and related improvements, including the Zone C Exclusive Amenities (as defined herein) (the “Work”). Under the Construction Agreement, Lennar, as Contractor, shall provide and pay for (or cause to be provided and paid for) labor, materials, equipment, tools, construction equipment and machinery, water, utilities, transportation, and other facilities and services necessary for the proper execution and “Completion” (as defined in the Construction Agreement) of the Work by or on behalf of Lennar, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work.

The Construction Agreement requires Lennar to commence the Work on the Property no later than (a) on the Phase 1 Property (defined as the 162 lots in Improvement Area C-1) no later than the Effective Date, (b) on the Phase 2 Property (defined as certain 104 Option Lots) no later than October 1, 2022 and (c) on the Phase 3 Property (defined as certain 143 Option Lots) no later than June 1, 2023, and proceed with Completion of the Work in accordance with the construction schedule approved by KLLB in its reasonable discretion. Lennar has met such deadlines. Subject to force majeure, Lennar shall achieve Completion of the Work no later than (a) on the Phase 1 Property no later than

August 1, 2023, (b) on the Phase 2 Property no later than January 1, 2024 and (c) on the Phase 3 Property no later than September 1, 2024. Lennar Corporation, the parent company of Lennar, provided a corporate guaranty to KLLB to secure its obligation to complete such development work pursuant to the Construction Agreement.

*Status of Development in Improvement Zone C.* Lennar is expected to develop finished lots and build homes in Improvement Zone C of the District.

Lennar began development in Improvement Zone C with (1) certain excavation, street improvements, water distribution system improvements, sanitary sewer collection system improvements, storm drainage collection system improvements, and landscaping, parks and open space improvements that will benefit only property within Improvement Zone C of the District (the “Improvement Zone C Improvements”), (2) certain excavation, street improvements, water distribution system improvements, sanitary sewer collection system improvements, storm drainage collection system improvements, and landscaping improvements that will benefit only Improvement Area C-1 of the District (the “Improvement Area C-1 Improvements”), (3) certain excavation, street improvements, water distribution system improvements, sanitary sewer collection system improvements, storm drainage collection system improvements, and landscaping improvements that will benefit only Improvement Area C-2 of the District (the “Improvement Area C-2 Improvements”), and (4) certain excavation, street improvements, water distribution system improvements, sanitary sewer collection system improvements, storm drainage collection system improvements, and landscaping improvements that will benefit only Improvement Area C-3 of the District (the “Improvement Area C-3 Improvements”).

The Improvement Area C-1 Improvements, the pro rata portion of the Improvement Zone C Improvements benefitting Improvement Area C-1, and the pro rata portion of the Major Improvements benefitting Improvement Area C-1 (which Major Improvements are being constructed and financed by the Master Developer) are collectively referred to herein as the “Improvement Area C-1 Projects.” The Improvement Area C-2 Improvements, the pro rata portion of the Improvement Zone C Improvements benefitting Improvement Area C-2, and the pro rata portion of the Major Improvements benefitting Improvement Area C-2 (which Major Improvements are being constructed and financed by the Master Developer) are collectively referred to herein as the “Improvement Area C-2 Projects.” The Improvement Area C-3 Improvements, the pro rata portion of the Improvement Zone C Improvements benefitting Improvement Area C-3, and the pro rata portion of the Major Improvements benefitting Improvement Area C-3 (which Major Improvements are being constructed and financed by the Master Developer) are collectively referred to herein as the “Improvement Area C-3 Projects.”

Construction of the Improvement Area C-1 Projects (excluding the Major Improvements being constructed by the Master Developer) began in October 2021 and is expected to be completed in August 2023. Construction of the Improvement Area C-2 Projects (excluding the Major Improvements being constructed by the Master Developer) began in October 2021 and is expected to be completed in January 2024. Construction of the Improvement Area C-3 Projects (excluding the Major Improvements being constructed by the Master Developer) began in November 2022 and is expected to be completed in April 2024. As of May 19, 2023, Lennar had expended \$15,149,156.11 on improvements benefitting Improvement Zone C, including \$5,623,641.80 on the Improvement Area C-1 Improvements, and \$2,493,809.49 on the Improvement Area C-2 Improvements, and \$1,310,574.29 on the Improvement Area C-3 Improvements, with the remainder funding the Improvement Zone C Improvements, all of which was funded with cash.

Proceeds of the Improvements Area C-1 Bonds will pay for a portion of the costs of the Improvement Area C-1 Projects. Lennar will finance the balance of the Improvement Area C-1 Projects not paid with proceeds of the Improvement Area C-1 Bonds through a Developer Contribution consisting of completed Improvement Area C-1 Projects, except to the extent the Master Developer has financed any portion of the Major Improvements benefitting Improvement Area C-1. Proceeds of the Improvements Area C-2 Bonds will pay for a portion of the costs of the Improvement Area C-2 Projects. Lennar will finance the balance of the Improvement Area C-2 Projects not paid with proceeds of the Improvement Area C-2 Bonds through a Developer Contribution consisting of completed Improvement Area C-2 Projects, except to the extent the Master Developer has financed any portion of the Major Improvements benefitting Improvement Area C-2. Lennar has financed and will finance construction of its portion of the Improvement Area C-1 Projects and Improvement Area C-2 Projects with cash. Lennar is constructing the Improvement Area C-3 Projects (except the Major Improvements benefitting Improvement Area C-3) with cash on hand, and the costs of such Improvement Area C-3 Projects will be reimbursed at a later date through the issuance of Future Improvement Area Bonds. The Master Developer is constructing the portion of the Major Improvements benefitting Improvement Area C-3.

### Expected Build-Out of the District

The following tables provide the Master Developer's and Lennar's expected build-out schedule of their respective land in the District and estimated home prices in the District.

#### EXPECTED BUILD-OUT SCHEDULE

<u>Improvement Zone</u>	<u>Improvement Area</u>	<u>Single-Family Lots</u>	<u>Actual/Expected Infrastructure Start Date</u>	<u>Actual/Expected Infrastructure Completion Date</u>
A	A-1	787	Q4 2021	Q3 2023 (Major Improvements Q1 2024)
A (Zone A Remainder Property)	Phase 2	224	Q2 2024	Q2 2025
	Phase 3	300	Q2 2027	Q2 2028
	Phase 4	300	Q1 2029	Q1 2030
	Phase 5A	149	Q1 2031	Q1 2032
Improvement Zone B	Phase 5B	151	Q1 2031	Q1 2032
	Phase 6	300	Q1 2033	Q1 2034
	Phase 7	300	Q1 2035	Q1 2036
C	C-1	162	October 2021	August 2023
	C-2	104	October 2021	January 2024
	C-3	147	November 2022	April 2024
C (Zone C Remainder Property)	Phase 4	233	March 2024	July 2025
	Phase 5	167	June 2024	September 2025

#### ESTIMATED HOME PRICES

<u>Improvement Area</u>	<u>Lot Size (Width in Ft.)</u>	<u>Quantity</u>	<u>Average Base Lot Price<sup>(1)</sup></u>	<u>Average Base Home Price<sup>(2)</sup></u>
<b>MASTER DEVELOPER IMPROVEMENT ZONES</b>				
A-1	Townhomes	111	\$51,500	\$309,000
	35'(Paseo/Cluster)	20	\$59,000	\$357,000
	40'	200	\$66,500	\$399,000
	50'	278	\$77,000	\$462,000
	60'	132	\$89,000	\$534,000
	70'	46	\$98,250	\$589,500
Future Improvement Areas (Zone A Remainder Property)	Townhome	360	\$61,746	\$372,438
	35'(Paseo/Cluster)	19	\$70,738	\$430,492
	40'	155	\$79,730	\$480,914
	50'	340	\$92,319	\$556,848
	60'	90	\$106,706	\$643,630
	70'	9	\$117,797	\$710,524
Future Improvement Areas (Improvement Zone B)	40'	83	\$95,559	\$583,907
	50'	425	\$110,648	\$676,103
	60'	178	\$127,891	\$781,470
	70'	65	\$141,184	\$862,690
<b>LENNAR IMPROVEMENT ZONE</b>				
Improvement Area C-1	40'	66	\$58,412.81 <sup>(3)</sup>	\$390,000
	50'	96	\$56,579.75- \$70,524.07 <sup>(3)</sup>	\$415,000
	40'	53	\$58,412.81 <sup>(3)</sup>	\$390,000

Improvement Area C-2	50'	51	\$56,579.75- \$70,524.07 <sup>(3)</sup>	\$415,000
Improvement Area C-3	40'	58	\$62,920 <sup>(4)</sup>	\$450,000
	50'	89	\$78,510 - \$80,182 <sup>(4)</sup>	\$480,000
Future Improvement Areas	40'	233	\$62,920 <sup>(4)</sup>	\$450,000
(Improvement Zone C)	50'	167	\$78,510 - \$80,182 <sup>(4)</sup>	\$480,000

<sup>(1)</sup> Excludes fees payable under the lot purchase and sale agreements.

<sup>(2)</sup> Master Developer estimates for Improvement Zone A and Improvement Zone B, which estimates for Future Improvement Areas are averages assuming 3.5% annual inflation factor for construction costs between the years 2025-2043. Lennar estimates for Improvement Zone C. May differ from assumed home values in the Service and Assessment Plan.

<sup>(3)</sup> Based on the Option Price in the Zone C Phase One Option Agreement. May differ from estimated lot values used in the Service and Assessment Plan.

<sup>(4)</sup> Estimate provided by Lennar.

The following table sets forth the Master Developer’s expected absorption of lots in Improvement Area A-1 of the District.

**EXPECTED ABSORPTION OF LOTS IN IMPROVEMENT AREA A-1**

<b>Improvement Area A-1</b>		
	<u>Expected Final Lot Sale Date</u>	<u>Total Lots</u>
Townhomes	Q3 2024	111
35'	Q2 2024	20
40'	Q2 2024	200
50'	Q2 2024	278
60'	Q2 2024	132
70'	Q2 2024	46
Total		787

The Master Developer has not entered into contracts for any Future Improvement Areas and has not estimated an absorption of lots therein.

The following table sets forth Lennar’s expected absorption of lots in Improvement Zone C and absorption of homes in Improvement Zone C of the District.

**EXPECTED ABSORPTION OF LOTS IN IMPROVEMENT ZONE C PROPERTY\***

<b>Improvement Area C-1</b>		<b>Improvement Area C-2</b>		<b>Improvement Area C-3</b>	
<u>Expected Final Purchase Date</u>	<u>Total Lots</u>	<u>Expected Final Purchase Date</u>	<u>Total Lots</u>	<u>Expected Final Purchase Date</u>	<u>Total Lots</u>
2023	42	2024	104	2024	23
2024	120	Total	104	2025	124
Total	162			Total	147

<b><u>Remainder Zone C Property</u></b> <b><u>(Phases 4-5)</u></b>	
<u>Expected Final Purchase Date</u>	<u>Total Lots</u>
2025	233
2026	0
2027	<u>167</u>
Total	400

\*Absorption of Lots interpreted as Lennar’s purchase of finished lots from land bank entity and/or completion of future lots that are non-land bank owned.

**EXPECTED ABSORPTION OF HOMES IN IMPROVEMENT ZONE C\***

<b><u>Improvement Area C-1</u></b>		<b><u>Improvement Area C-2</u></b>		<b><u>Improvement Area C-3</u></b>	
<u>Expected Final Sale Date</u>	<u>Total Lots</u>	<u>Expected Final Sale Date</u>	<u>Total Lots</u>	<u>Expected Final Sale Date</u>	<u>Total Lots</u>
2024	90	2025	84	2025	15
2025	<u>72</u>	2026	<u>20</u>	2026	95
Total	162	Total	104	2027	<u>37</u>
				Total	147

<b><u>Remainder Zone C Property</u></b> <b><u>(Phases 4-5)</u></b>	
<u>Expected Final Sale Date</u>	<u>Total Lots</u>
2026	16
2027	122
2028	156
2029	93
2030	<u>13</u>
Total	400

\*Absorption of Homes interpreted as Lennar’s sale/closing of completed home to homebuyers.

**Future Improvement Area Bonds**

Future Improvement Area Bonds to finance the cost of specific improvements benefitting the Future Improvement Areas are anticipated to be issued in the future. The estimated costs of the specific improvements benefitting the Future Improvement Areas of the District will be determined at the time the Future Improvement Areas are developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within the Future Improvement Areas of the District and financed by each new series of Future Improvement Area Bonds. Such Future Improvement Area Bonds will be secured by separate assessments levied pursuant to the PID Act on Assessed Property within the Future Improvement Areas of the District. The Master Developer anticipates that Future Improvement Area Bonds will be issued over the next fifteen years.

The Bonds, the Improvement Area C-1 Bonds, the Improvement Area C-2 Bonds, and any Future Improvement Area Bonds issued by the City are separate and distinct issues of securities. The City reserves the right to issue Future Improvement Area Bonds for any purpose permitted by the PID Act, including those described above.

**Zoning/Permitting**

The property within the District is currently zoned as Planned Development-Residential per Ordinance No. 4818 approved by City Council on October 5, 2020. The current zoning allows a variety of single family residential uses and establishes guidelines pertaining to purpose, height, area, setbacks, landscaping, garages and the like.

## Amenities

Amenities in the Development will include a pool complex, access to a 25-acre lake, bike and hiking trails, a fitness facility, a dog park, a beer garden and a unique treehouse park designed by HGTV's Treehouse Masters. The community will also feature a restaurant, an event lawn and space for a farmers market and food truck park.

In accordance with the Development Agreement, the Master Developer is constructing certain amenities during construction of Improvement Area A-1 to serve the District, including, but not limited to (collectively, the "Amenities"):

1. An amenity center with the following:
  - a. a minimum 9,000 square foot community building;
  - b. a minimum 1,200 square foot fishing building; and
  - c. a minimum 3,000 square foot indoor fitness facility;
2. A pool complex with one junior Olympic-sized lap pool, one resort pool, one adult pool and one tot pool with splash toys;
3. A minimum of one playground;
4. A covered community outdoor gathering space;
5. A minimum of one shade structure, two picnic tables, and two park benches for each active park;
6. A minimum of two dog waste stations;
7. Trash cans; and
8. Park signage.

Construction of the amenity center (including related pools), the junior Olympic pool, the community outdoor gathering space and the remaining required items above is expected to begin in June 2023 and be completed in 2Q 2025. The Development Agreement provides that construction of such amenities must be started prior to the issuance of the certificate of occupancy for the 100<sup>th</sup> single family residence in the District and completed within 36 months after the City's final acceptance of the first platted Phase in the District. See "THE DEVELOPMENT AGREEMENT." Additionally, the Master Developer has completed construction of a 25-acre lake and the treehouse park. The Master Developer has also begun construction of a portion of the planned trail amenities, the playground, and a fire pit in Improvement Area A-1.

The expected cost of the amenities to be constructed in the project by the Master Developer is approximately \$22.7 million, which costs are expected to be funded by the Trez Loan. As of June 1, 2023, the Master Developer has expended approximately \$1,080,000 on construction of such amenities which was financed with the Trez Loan. See "THE MASTER DEVELOPER – History and Financing of the District – Master Developer Acquisition and Development Financing."

Renderings of the expected amenities are shown below:

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***Improvement Zone C Amenities.*** Lennar is expected to construct a swimming pool and a pavilion (the “Zone C Exclusive Amenities”) that shall be exclusive to the residents of Lennar’s development in Improvement Zone C. Construction of the Zone C Exclusive Amenities must commence within 12 months of the recording of the plat for Improvement Area C-1 and complete such construction within 12 months following commencement thereof. Construction of the Zone C Exclusive Amenities center is expected to begin in May 2024 and be completed in March 2025. The expected cost of the Zone C Exclusive Amenities is \$1,587,000, which Lennar expects to finance with cash.

**Education**

The Mesquite Independent School District (“MISD”) the District. MISD encompasses approximately 59.41 square miles. Its western and southern boundaries are coterminous with the Dallas Independent School District, and it is bounded on the north and east by the Garland Independent School District, the Sunnyvale Independent School District and the Kaufman County Line. MISD enrolls over 38,000 students in 52 campuses (38 elementary, 8 middle, 5 senior high and 1 alternative and the Mesquite Academy). Students in the District will attend Achziger Elementary, Gentry Elementary, or Smith Elementary, Don Woolley Middle School or Berry Middle School, and John Horn High School. For the 2021-22 school year, schools the children in the District will attend received the following grades from the Texas Education Agency (“TEA”) and Greatschools.org:

<b><u>School</u></b>	<b><u>TEA Accountability Grade</u></b>	<b><u>Greatschools.org Rating</u></b>	<b><u>Approximate Distance from the Development</u></b>
Mesquite ISD	B	N/A	N/A
Achziger Elementary	B	5/10	1.6 miles
Gentry Elementary	B	7/10	1.4 miles
Smith Elementary	C	6/10	1.9 miles

Don Woolley Middle School	C	Not Rated	0.9 miles
Berry Middle School	B	6/10	0.7 miles
John Horn High School	B	4/10	0.5 miles

### **Existing Mineral Rights and Other Third Party Property Rights**

Third parties hold title to certain rights applicable to real property within and around the District (the “Mineral Owners”), including reservations of mineral rights and royalty interests and easements (collectively, the “Third Party Property Rights”) pursuant to various instruments in the chain of title for various tracts of land within and immediately adjacent to the District. Some of these reservations of mineral rights include a waiver by the Mineral Owners of their right to enter onto the surface of the property to explore, develop, drill, produce or extract minerals within the District. If the waiver is applicable, such Mineral Owners may only develop such mineral interests by means of wells drilled on land outside of the property of the District.

The Master Developer and Lennar are not aware of any ongoing mineral rights development or exploration on or adjacent to the property within their respective property in the District. The Master Developer and Lennar are not aware of any interest in real property (including mineral rights) owned by the Mineral Owners adjacent to their respective property in the District. Certain rules and regulations of the Texas Railroad Commission may also restrict the ability of the Mineral Owners to explore or develop the property due to well density, acreage, or location issues. Additionally, the City has zoning regulations that restrict the distance of drilling operations from rights-of-way and abutting property.

Although the Master Developer and Lennar do not expect the above-described Third Party Property Rights, or the exercise of such rights or any other third party real property rights in or around the District, to have a material adverse effect on the Development, the their respective property within the District, or the ability of landowners within the District to pay Assessments, the Master Developer and Lennar make no guarantee as to such expectation. See “BONDHOLDERS’ RISKS — Exercise of Third Party Property Rights.”

### **Environmental**

A Phase One Environmental Site Assessment (a “Phase One ESA”) of the land within the District, was completed on November 1, 2019, and updated on March 10, 2021 by Symonds Ecology, Ltd. Based on the information presented in the Phase One ESA, the property contained drums labeled as containing oil and plastic containers of hydraulic fluid. There appeared to be some soil staining around the hydraulic fluid containers. Due to the location and extent of staining, groundwater was not suspected of being an issue. The Phase One ESA stated that the stained soils should be removed and disposed of at a designated facility, and the drums and containers should be tested and disposed of at a designated facility. The drums and containers were disposed of by Green Planet, Inc. in March, 2021, and any testing performed by Green Planet, Inc. did not indicate further investigation or procedures were necessary.

According to the website for the United States Fish and Wildlife Service, the whooping crane is an endangered species in Dallas and Kaufman Counties. The Master Developer and Lennar are not aware of any endangered species located on their respective property in the District.

### **Flood Designation**

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Community Panel Number 48113C0530K and 48113C0535K, each dated July 7, 2014, portions of the subject property, on the north, east, and south, are located in Zone X and areas on the central portion of the property are within the floodway and Zone AE – within the 100-year floodplain. Approximately 572 acres in the District were in the effective Zone AE floodplain prior to construction. FEMA approved a Conditional Letter of Map Revision (Case No. 21-06-2311R) dated January 7, 2022 that proposed floodplain reclamation. The Master Developer expects to reclaim approximately 72 acres of land in the District, including 11.9 acres in Improvement Area A-1, 19.3 acres in Improvement Area C-1 and 11.1 acres in Improvement Area C-2 from the floodplain. Construction has been completed and a Letter of Map Revision (LOMR), Case No. 22-06-2973P, was approved by FEMA on April 14, 2023. Based on this approved LOMR, approximately 11.9 acres in Improvement Area A-1, 0 acres in Improvement Area C-1, and 0 acres in Improvement Area C-2, are located within the Zone AE floodplain. Construction has also been completed in Area A-1 and a second LOMR, Case No 23-06-1636P, is currently being processed by FEMA that will remove the 11.9 acres from Improvement Area A-1 out of the Zone AE floodplain. The reclaimed land in Improvement

Area A-1 will be for lot development for portions of Phases 1C, 1D and 1F. This LOMR will revise 47 lots in Improvement Area A-1 from Zone AE to Zone X, in conformance with the As-Built construction plans. The remainder of the areas in the floodplain will be dedicated to the City and used as open space.

### **Geotechnical Report**

Alpha Testing prepared Geotechnical Exploration Reports (the “Geotechnical Reports”) dated October 19, 2019 and September 3, 2020 for certain portions of the property in the District. The Geotechnical Reports indicated that a portion of the lots in the District have potential seasonal movements provided for slab foundations in excess of normally accepted industry standards (4½ inches). For such portions, the Geotechnical Report indicated that certain subgrade improvements consisting of moisture conditioning and water pressure injection is required for slab-on-grade foundation systems constructed on lots. The Master Developer and Lennar indicate that the development of their respective lots will be consistent with the recommendations made in the Geotechnical Reports.

### **Utilities**

Water and sewer service are expected to be provided by the City. The City’s source of treated wholesale water is the North Texas Municipal Water District (“NTMWD”). The current City distribution capacity is 60 million gallons per day (“MGD”). The City will spend approximately \$12 million in 2025 to upgrade the Southeast Pump Station, which serves the pressure plane where the District is located which should provide increased capacity. NTMWD also treats the City’s wastewater at the South Mesquite Regional Wastewater Treatment Plant (RWWTP) located in Mesquite. The current wastewater capacity for the City is 33 MGD. Planned upgrades to RWWTP will expand the City’s capacity to 41 MGD by 2027. According to NTMWD, the final design for the 41 MGD expansion was approved at the NTMWD board meeting in May 2022. A notice to proceed was issued upon approval, and design is anticipated to take one year (complete in 2024). Completion of construction is expected by 2027.

The Master Developer expects additional utilities to be provided by: (1) Phone/Data – Spectrum; (2) Electric – Oncor; (3) Cable – Spectrum; and (4) Natural Gas – Atmos.

### **THE MASTER DEVELOPER**

The following information, as it relates to the Master Developer, has been provided by the Master Developer and as it relates to Lennar, has been provided by Lennar. Certain of the following information is beyond the direct knowledge of the City, the City’s Financial Advisor and the Underwriter, and none of the City, the City’s Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. See “SOURCES OF INFORMATION – Source of Certain Information.”

### **General**

In general, the activities of a developer in a development such as the District include purchasing the land, designing the subdivision, including the utilities and streets to be installed and any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities, as well as telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities within a development may have a material effect on the security of revenue bonds, such as the Bonds, issued by a municipality for a public improvement district. A developer is generally under no obligation to a public improvement district, such as the District, to develop the property which it owns in a development. Furthermore, there is no restriction on the developer’s right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

### **Description of the Master Developer**

The Master Developer, HC Solterra, LLC, is a subsidiary of Huffines Communities (“Huffines”) and was created by Huffines for the purpose of managing and ultimately conveying property in the District to third parties, as described under the caption “THE DEVELOPMENT.”

The Master Developer is controlled by entities affiliated with Donald Huffines and Phillip Huffines. Donald and Phillip Huffines control Huffines.

Huffines was founded in 1985 and has owned, or has developed or entitled for development, over 15,000 residential lots. Among its “Signature” communities are the following:

<u>Community</u>	<u>Project Type</u>	<u>Estimated Total Units Upon Full Buildout</u>	<u>Location</u>	<u>Status / Year Completed</u>
Waterview	Master Planned Residential	1,800 single family	Rowlett, TX	Completed 2006
Providence	Master Planned Residential	2,261 single family	Providence, TX	Completed 2017
Savannah	Master Planned Residential	2,447 single family	Savannah	In Progress (approx. 2,000 occupied homes)
Inspiration	Master Planned Residential	1,400 single family	Wylie, TX	In Progress (approx. 250 occupied homes)
Hebron 121 Station	Transit Oriented Design	1,755 multi-family	Lewisville, TX	In Progress (approx. 920 occupied units)
Harmony	Urban Design	644 multi-family	Rowlett, TX	In Progress (approx. 320 occupied units)

Huffines has significant experience as the developer of master planned communities located within special districts in Texas similar to the District. Entities affiliated with Huffines have made advances to such districts to finance the construction of public improvements and to pay for district operating needs, creating an obligation on the part of the districts to reimburse the developer for those advances through future bond issuances. According to the Master Developer, Huffines has made a strategic decision to work with each of those districts to establish and maintain a level and competitive combined district tax rate. Huffines’ more significant district experience includes the following:

- Providence Village Water Control and Improvement District of Denton County (formerly Denton County Fresh Water Supply District No. 9).
- Collin County Water Control and Improvement District No. 3.
- Denton County Fresh Water Supply District No. 10.
- Viridian Municipal Management District. (Sold property 2015)
- Verandah Municipal Utility District of Hunt County (formerly Verandah Fresh Water Supply District of Hunt County). (Sold property 2005)

These districts have issued over \$150,000,000 in tax exempt road and utility bonds during Huffines’ involvement with them.

The Master Developer is a nominally capitalized limited partnership, the primary asset of which is unsold property within the District. The Master Developer will have no source of funds with which to pay Assessments or taxes levied by the City or any other taxing entity other than funds resulting from the sale of property within the District or funds advanced to the Master Developer by an affiliated party. The Master Developer’s ability to make full and timely payments of Assessments or taxes will directly affect the City’s ability to meet its obligation to make payments on the Bonds.

#### **Master Developer Executive Biographies**

***Phillip Huffines, Co-Chief Executive***, graduated summa cum laude from the University of Texas at Austin in 1981 with a BBA in Petroleum Land Management. He soon entered real estate where he and his brother, Donald Huffines, began investing in large land tracts and brokering and developing shopping centers and residential properties

in the Dallas/Fort Worth area forming Huffines Communities in 1985. In the 1990's they started focusing on master planned communities and began the first of their "Signature" communities. Phillip and Donald Huffines control the Huffines entities.

**Donald Huffines, Co-Chief Executive**, graduated from the University of Texas at Austin in 1981 with a BBA in Finance. In 1982 he started his career with the largest commercial brokerage company in Texas, Henry S. Miller Company. Donald gained valuable experience in office leasing, retail development and income property sales. In 1984 he was the 4th top producer of over 130 commercial brokers and was promoted to Vice President. In 1985, along with his brother Phillip, he formed Huffines Communities with the company's primary focus being land investing and development.

**Jeff Winker, Chief Financial Officer**, is responsible for reporting, process implementation, internal controls, and general oversight of all the financial and accounting operations of Huffines Communities. During his 30 year career in real estate investment, development and management, Jeff as served as CRO for CentreFirst Management Company, Carbon Development and Henry S. Miller Interests, Inc. Jeff graduated from Texas Tech University with a BBA in Accounting.

**Sue Blankenship, Senior Vice President**, shares responsibility for business planning, project strategy and management, and organizational development of the company. She has over 30 years of experience in the real estate industry, including tenure as the Director of Land Development for a homebuilder in Dallas developing over 3,500 single-family lots and entitling/acquiring additional lots in over 50 metroplex communities. She graduated from Northern Arizona University with a Bachelor of Science degree in Civil Engineering and is a registered Professional Engineer in Texas and California.

**Barry Jameson, Special Districts Manager**, is responsible for managing Huffines Communities' involvement with special districts in which Huffines Entities' developments are located. He has served in that role since 2004. Before that, he worked in public accounting with Ernst & Young and financial reporting with Crow Family Holdings. Barry graduated in 1986 from the University of North Texas with a Master of Science in Accounting.

## History and Financing of the District

The Master Developer initially acquired approximately 1,097.336 of land within District in four transactions between December 2020 and May 2021, a portion of which has been transferred to an affiliated entity and a portion of which has been sold to Lennar as further described below. See "Subsequent Transfers." The Master Developer holds an option to purchase the remaining 300.358 acres of land within the District pursuant to the Lucas Parties Contract (as defined herein). See "Lucas Parties Purchase, Option Contract, and Acquisitions." The City also owns approximately 36.3 acres of right-of-way in the District, which is located in Improvement Zone A and Improvement Area C-1.

Initial Property Acquisitions: On December 15, 2020, the Master Developer purchased approximately 72 acres and an additional approximately 34 acres using cash in two transactions. The total purchase price of such land was \$609,887 for the 72 acre tract and \$590,885 for the 34 acre tract.

Lucas Parties Purchase, Option Contract, and Acquisitions. Huffines Land Holdings entered into Contract of Sale with the Lucas Parties, as amended (the "Lucas Parties Contract") pursuant to which the Lucas Parties agreed to sell or grant Huffines Land Holdings the exclusive option to purchase 4 tracts of land containing 1,284.262 gross acres total, comprised as follows:

- 604.13 gross acres (the "Lucas Phase 1 Property")
- 92.72 gross acres (the "Lucas Phase 2 Property")
- 285.5 gross acres (which acreage was later corrected to 295.76 acres) (the "Lucas Phase 3 Property")
- 299.612 gross acres (the "Lucas Phase 4 Property" and, together with the Lucas Phase 2 Property and the Lucas Phase 3 Property, the "Lucas Option Property").

Huffines Land Holdings assigned its rights in the Lucas Parties Contract to the Master Developer. As so assigned, the Lucas Parties Contract grants the Master Developer the right to purchase the Lucas Phase 1 Property at a price of \$37,000 per acre and the exclusive option to purchase the Lucas Phase 2 Property at a price of \$37,000 per

acre, the Lucas Phase 3 Property at a price of \$37,000 per acre, and the Lucas Phase 4 Property (i) at a price of \$37,000 per acre for portions not owned by George F. Lucas Irrevocable Descendants Trust (“GFLIDT”) and (ii) \$26,000 per acre for portions owned by GFLIDT).

The Lucas Parties Contract provides that for a period of five years following the closing date on the Lucas Phase 1 Property, the Master Developer may elect to purchase the Lucas Option Property, provided that any initial exercise of such option was required to include the exercise of the option to purchase the Lucas Phase 2 Property.

Pursuant to the Second Amendment to the Lucas Parties Contract, the Lucas Parties acknowledged the existence of the District and required the Master Developer to enter into an indemnity agreement for any assessments imposed on the Lucas Option Property to the extent such property is owned by the Lucas Parties. The Master Developer entered into such indemnity agreement on January 28, 2021. In addition, the Second Amendment to the Lucas Parties Contract requires the Master Developer to execute an assignment of rights to the Development Agreement for any portions of the Lucas Option Property for which the purchase option granted under the Lucas Parties Contract has expired. Pursuant to the terms of the Development Agreement, any such assignment of the Development Agreement by the Master Developer is subject to the written consent of the City.

The Master Developer acquired the Lucas Phase 1 Property and the Lucas Phase 2 Property (the “Initial Lucas Purchased Land”) from the Lucas Parties on April 19, 2021. Accordingly, the option period granted under the Lucas Parties Contract shall expire on April 19, 2026. The Master Developer acquired the Lucas Phase 3 Property on May 26, 2021.

*Master Developer Acquisition and Development Financing.* The purchase of the Initial Lucas Purchased Land was funded with a loan (the “Trez Loan”) in the original amount of \$11,204,879 from Trez (2015) Corporation (“Trez”), which Trez Loan was secured by a deed of trust on the Initial Lucas Purchased Land and evidenced by a note (the “Note”). The Trez Loan was modified in August 2021 and in October 2022, and on April 18, 2023 with a third modification (the “Third Modification”). The Trez Loan, as modified, provided for funds in a total amount of up to \$66,036,544 to the Master Developer for the purchase and development of the Improvement Area A-1 Property. The Trez Loan is secured by a deed of trust related to all of Master Developer’s property in the District and a collateral assignment of all Master Developer’s district or governmental reimbursements related to the District. The Trez Loan is also guaranteed by Don Huffines and Phillip Huffines.

The Note provides that the Trez Loan is a revolving credit facility and amounts repaid by Master Developer thereunder may be reborrowed but only at the option of Trez and upon terms and conditions acceptable to Trez at its option. As of the effective date of the Third Modification, (i) \$29,523,041.00 of principal had been advanced by Trez to Master Developer pursuant to the Note, (ii) Master Developer had repaid \$10,352,393.00 of principal under the Note, (iii) the outstanding principal balance of the Trez Loan was \$19,170,468.00 and (iv) a total of \$46,866,076.00 remained to be advanced on the Trez Loan. In the Third Modification, the terms provide that after a point in time that the Master Developer has repaid an additional \$25,000,000.00 of principal to Trez, the Master Developer will have the ability to reborrow \$750,000.00 to fund loan interest reserves.

The Trez Loan accrues interest at a variable rate per annum equal to the sum of: (i) the prime rate as published from time to time in the Money Rates section of The Wall Street Journal, as the same may vary from time to time; plus six and one-half (6.5) percentage points. Monthly payments of interest on the outstanding principal balance of the Note are due the first day of each month beginning on November 1, 2022 and continue until August 31, 2023 (the “Initial Maturity Date”). The Trez Loan includes the option to extend the maturity date (the “Extension Option”) to August 31, 2024 (the “Outside Maturity Date”).

As of May 15, 2023, the outstanding balance of the Trez Loan is \$31,045,883. Principal payments are due under the Trez Loan as follows: (i) \$21,900,000 on June 30, 2023; (ii) \$8,750,000 on July 31, 2023; (iii) the outstanding Trez Loan balance on the Initial Maturity Date if the Master Developer does not exercise the Extension Option; (iv) \$21,650,000 on September 30, 2023 if the Master Developer exercises the Extension Option; (v) \$9,000,000 on December 31, 2023 if the Master Developer exercises the Extension Option; and (vi) the outstanding Trez Loan balance on the Outside Maturity Date if the Master Developer exercises the Extension Option.

The Master Developer made a \$3,939,000 principal payment on March 31, 2023 pursuant to the Third Modification, and expects to make the \$21,900,000 principal payment on June 30, 2023 which will provide the Master



Developer with the ability to reborrow the additional \$750,000 after making such payment. The Master Developer also intends to exercise the Extension Option.

The PID Act provides that the Assessment Lien is a first and prior lien against the assessed property within the District and is superior to all other liens and claims except liens or claims for State, county, school district, or municipality ad valorem taxes and, accordingly, such lien for the Assessments is superior to liens on property in the District, including any liens for acquisition and development financing. Additionally, at or prior to delivery of the Bonds, Trez shall consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing the Trez Loan to the assessment liens on property within Improvement Area A-1 of the District securing payment of the Assessments. The lien on the property within Improvement Area A-1 of the District securing the Assessments will have priority over the liens on the property within Improvement Area A-1 of the District securing the Trez Loan.

*Chapter 380 Agreement:* The Master Developer and the City have entered into the Chapter 380 Agreement pursuant to which the City has agreed to reimburse the Master Developer for the cost of oversizing of certain public improvements within the District with impact fee credits and for intersection improvements, signalization improvements, and pedestrian bridge improvements from the Roadway Capital Recovery Fee as described under “THE DEVELOPMENT AGREEMENT – *Chapter 380 Agreement*.” The Master Developer anticipates that the grant payable to the Master Developer from such impact fee credits and Roadway Capital Recovery Fees will total approximately \$9.71 million.

*Subsequent Transfers (Solterra South and Lennar).* On June 15, 2021, the Master Developer sold approximately 237.562 acres constituting the Zone C Phase Two Property to Solterra South on June 15, 2021 for \$4,000,000. In connection with the sale to Solterra South, the Master Developer partially assigned, and Solterra South assumed, all rights and obligations under the Development Agreement relating to the transferred land in Improvement Zone C. The Master Developer generally assigned, and Solterra South assumed, all contracts affecting such transferred land, which included the Lennar Zone C Contract. The Master Developer also partially assigned, and Solterra South assumed, all rights and obligations specifically related to the Zone C Phase Two Property under the Lennar Zone C Contract. Solterra South’s purchase of such land was funded with cash equity contributions from the members of Solterra South.

On June 17, 2021, the Master Developer sold the Zone C Phase One Property, consisting of approximately 164.659 acre portion of the property located in Improvement Zone C of the District to Lennar at a price of \$9,200,000, which acquisition by Lennar was funded with cash. A portion of such property constitutes the land in Improvement Area C-1. Lennar is under contract to purchase Zone C Phase Two Property pursuant to the Lennar Zone C Contract at a cash purchase price of \$8,000,000. See “THE DEVELOPMENT – Improvement Zone C, the Lennar Zone C Contract and the Lennar Zone C Phase One Option Agreement.” Lennar has deposited \$1,200,000 in earnest money under the Lennar Zone C Contract, which earnest money has been released to Solterra South and is secured by an earnest money deed of trust encumbering the Zone C Phase Two Property.

Solterra South has retained rights to reimbursements related to the Lennar Zone C Public Improvements constructed by Lennar, provided that Solterra South shall transfer up to \$10,000,000 in reimbursements received from the proceeds of bonds issued for the Lennar Zone C Public Improvements (“PID Bond Proceeds”) as described below.

Upon the issuance (the “First Issuance”) of the first set of bonds (“PID Bonds”) to reimburse Solterra South for the Lennar Zone C Public Improvements, Solterra South shall transfer to Lennar the first \$4,000,000 in reimbursement for the Lennar Zone C Public Improvements from PID Bond Proceeds. Following the First Issuance, the next \$4,000,000 in PID Bond Proceeds from PID Bonds secured by assessments levied against the Zone C Phase One Property or the Zone C Phase Two Property (such property, together, the “Lennar Zone C Property”) for the actual costs of Lennar Zone C Public Improvements requested by Solterra South on behalf of Lennar relating to the Lennar Zone C Property shall be retained by Solterra South as additional consideration for the sale of the Phase Two Property. Once Solterra South has received such \$4,000,000 from the second issuance of PID Bonds and paid such amount to Lennar after the Phase Two Closing in accordance with the terms of the Lennar Zone C Contract, all subsequent PID Bond Proceeds shall be shared equally by Lennar and Solterra South until Lennar has been reimbursed up to \$10,000,000 in the aggregate for the actual costs paid by Lennar for the Lennar Zone C Public Improvements for which assessments securing the applicable series of PID Bonds have been levied against the Lennar Zone C Property. Thereafter, any and all PID Bond Proceeds from PID Bond issuances relating to property within the District, including the Lennar Zone C Property, shall be retained by Solterra South and Lennar shall have no further right to

any PID Bond Proceeds. Solterra South and Lennar shall only be entitled to receipt of PID Bond Proceeds for actual costs of the Lennar Zone C Public Improvements that benefit the Lennar Zone C Property on which assessments securing the applicable series of PID Bonds have been levied.

On February 7, 2022, Lennar conveyed the Zone C Phase One Property to KLLB as a land bank for Lennar for long term financing purposes pursuant to the Lennar Zone C Phase One Option Agreement. KLLB is the current owner of the Zone C Phase One Property. See “THE DEVELOPMENT — Improvement Zone C, the Lennar Zone C Contract and the Lennar Zone C Phase One Option Agreement.”

Lennar expects to finance the development of property in Improvement Zone C of the District with cash.

### **THE ADMINISTRATOR**

The following information has been provided by the Administrator. Certain of the following information is beyond the direct knowledge of the City, the City’s Financial Advisor and the Underwriter, and none of the City, the City’s Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Administrator has reviewed this Limited Offering Memorandum and warrant and represent that the information herein under the caption “THE ADMINISTRATOR” does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading.

The City has selected P3Works, LLC as the initial Administrator for the District. The City has entered into an agreement with the Administrator to provide specialized services related to the administration of the District needed to support the issuance of the Bonds. The Administrator will primarily be responsible for preparing the annual update to the Service and Assessment Plan. The Administrator is a consulting firm focused on providing district services relating to the formation and administration of public improvement districts, and is based in Keller, Texas.

The Administrator’s duties will include:

- Preparation of the annual update to the Service and Assessment Plan
- Preparation of assessment rolls for City billing and collection
- Establishing and maintaining a database of all City parcel IDs within the District
- Trust account analysis and reconciliation
- Property owner inquires
- Determination of Prepayment amounts
- Preparation and review of disclosure notices with Dissemination Agent
- Review of developer draw requests for reimbursement of authorized improvement costs.

### **APPRAISAL**

#### **The Appraisal**

*General.* Integra Realty Resources, Inc. (the “Appraiser”), prepared an appraisal report for the City dated **May 30, 2023**, based upon a physical inspection of the District on April 7, 2023 (the “Appraisal”). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to Improvement Area A-1 of the District. The Appraisal is attached hereto as APPENDIX E and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See “APPENDIX E — Appraisal.”

*Value Estimates.* The Appraiser estimated the aggregate market value of the fee simple interest in various tracts of land comprising the land in Improvement Area A-1 of the District under the assumption that all proposed Improvement Area A-1 Projects are completed as of the start of the effective appraisal dates. See “THE IMPROVEMENT AREA A-1 PROJECTS.” The Appraisal does not reflect the as-is condition of all areas of Improvement Area A-1 of the District as a portion of the Improvement Area A-1 Projects have not yet been constructed. Moreover, the Appraisal does not reflect the value of Improvement Area A-1 of the District as if sold to a single purchaser in a single transaction. The Appraisal provides the fee simple estate values for Improvement Area A-1 of the District. See “APPENDIX E — Appraisal.”

The value estimate for the Assessed Property within Improvement Area A-1 of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of the effective dates specified below are as follows: **[CONFIRM PER SV COMMENTS TO APPRAISAL]**

<b>Improvement Area</b>	<b>Effective Date</b>	<b>Value Conclusion</b>
Improvement Area A-1.1	May 2023	\$17,150,000
Improvement Area A-1.2	June 2023	\$27,850,000
Improvement Area A-1.3	July 2023	\$5,150,000
<b>TOTAL</b>		\$50,150,000

None of the City, the Master Developer, the Financial Advisor, or the Underwriter makes any representation as to the accuracy, completeness, assumptions or information contained in the Appraisal. The assumptions and qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized and the City, the Master Developer and the Underwriter make no representation as to the reasonableness of such assumptions.

Prospective investors should read the complete Appraisal in order to make an informed decision regarding any contemplated purchase of the Bonds. The complete Appraisal is attached as APPENDIX E hereto.

#### **BONDHOLDERS' RISKS**

*Before purchasing any of the Bonds, prospective investors and their professional advisors should carefully consider all of the risk factors described below which may create possibilities wherein interest may not be paid when due or that the Bonds may not be paid at maturity or otherwise as scheduled, or, if paid, without premium, if applicable. The following risk factors (which are not intended to be an exhaustive listing of all possible risks associated with an investment in the Bonds) should be carefully considered prior to purchasing any of the Bonds. Moreover, the order of presentation of the risks summarized below does not necessarily reflect the significance of such investment risks.*

##### **General**

**THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AND OTHER FUNDS COMPRISING THE TRUST ESTATE.**

The ability of the City to pay debt service on the Bonds as due is subject to various factors that are beyond the City's control. These factors include, among others, (a) the ability or willingness of property owners within Improvement Area A-1 of the District to pay Assessments levied by the City, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within Improvement Area A-1 of the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the lots within Improvement Area A-1 of the District, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such lots.

The rate of development of the property in Improvement Area A-1 of the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within Improvement Area A-1 of the District should proceed more slowly than expected and the Master Developer is unable to pay the Assessments, only the value of the lands, with improvements, will be available for payment of the debt service on the Bonds, and such value can only be realized through the foreclosure or expeditious liquidation of the lands within Improvement Area A-1 of the District. There is no assurance that the value of such lands will be sufficient for that purpose and the expeditious liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the City or the City's Financial Advisor that a market for the Bonds will develop and be maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Bonds.

The City has not applied for or received a rating on the Bonds. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so.

### **Deemed Representations and Acknowledgment by Investors**

Each Investor will be deemed to have acknowledged and represented to the City the matters set forth under the heading "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" which include, among others, a representation and acknowledgment that the purchase of the Bonds involves investment risks, certain of which are set forth under this heading "BONDHOLDERS' RISKS" and elsewhere herein, and such Investor, either alone or with its purchaser representative(s) (as defined in Rule 501(h) of Regulation D under the Securities Act of 1933), has sophisticated knowledge and experience in financial and business matters and the capacity to evaluate such risks in making an informed investment decision to purchase the Bonds, and the Investor can afford a complete loss of its investment in the Bonds.

### **Assessment Limitations**

Annual Installments of Assessments are billed to property owners in Improvement Area A-1 of the District. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as described under "ASSESSMENT PROCEDURES" herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Bonds maturing in each year and the Annual Collection Costs for such year. See "ASSESSMENT PROCEDURES" herein. The unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Annual Installments of Assessment payments in the future.

In order to pay debt service on the Bonds, it is necessary that Annual Installments are paid in a timely manner. Due to the lack of predictability in the collection of Annual Installments in Improvement Area A-1 of the District, the City has established a Reserve Account in the Reserve Fund, to be funded from the proceeds of the Bonds, to cover delinquencies. The Annual Installments are secured by the Assessment Lien. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Account and delay in payments of debt service on the Bonds. See "BONDHOLDERS' RISKS — Bondholders' Remedies and Bankruptcy" herein.

Upon an ad valorem tax lien foreclosure event of a property within Improvement Area A-1 of the District, any lien securing an Assessment that is delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Assessments, the liens securing such delinquent ad valorem taxes and delinquent Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Assessments would then be an unsecured personal liability of the original property owner.

Based upon the language of Texas Local Government Code, §372.017(b), case law relating to other types of assessment liens and opinions of the Texas Attorney General, the Assessment Lien as it relates to installment payments

that are not yet due should remain in effect following an ad valorem tax lien foreclosure, with future installment payments not being accelerated. Texas Local Government Code §372.018(d) supports this position, stating that an Assessment Lien runs with the land and the portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property. It is unclear under Texas law whether or not Pre-existing Homestead Rights would prevent the Assessment Lien from attaching to such homestead property or instead cause the Assessment Lien to attach, but remain subject to, the Pre-existing Homestead Rights.

Under Texas law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Ordinance, no such homestead rights will have been claimed. Furthermore, neither the Master Developer nor any homebuilder is eligible to claim homestead rights and the Master Developer has represented that it will own all property within Improvement Area A-1 of the District not sold to homebuilders as of the date of the Assessment Ordinance. Consequently, there are and can be no homestead rights on the Assessed Parcels superior to the Assessment Lien and, therefore, the Assessment Liens may be foreclosed upon by the City.

Failure by owners of the parcels to pay Annual Installments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Assessments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds.

**THE ASSESSMENTS WILL CONSTITUTE A FIRST AND PRIOR LIEN AGAINST THE PROPERTY ASSESSED, SUPERIOR TO ALL OTHER LIENS AND CLAIMS EXCEPT LIENS AND CLAIMS FOR STATE, COUNTY, SCHOOL DISTRICT OR MUNICIPALITY AD VALOREM TAXES AND WILL BE PERSONAL OBLIGATIONS OF AND CHARGES AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN IMPROVEMENT AREA A-1 OF THE DISTRICT.**

**Delay of Acquisition or Termination of Option Under Lucas Parties Contract Could Delay or Affect Development in the District**

If the Master Developer or Huffines Land Holdings do not acquire the Lucas Phase 4 Property within the Option Period, development within the District could be delayed. No assurance can be given that the Master Developer or Huffines Land Holdings will acquire such land within the Option Period. Further, while the Master Developer will be required to assign its rights under the Development Agreement to the Lucas Parties for any portions of the Lucas Phase 4 Property, no assurance can be given that the City will agree to such assignment or that the Lucas Parties will continue the development of such land as provided in the Development Agreement. Accordingly, there can be no assurances that that development within the District on the Lucas Phase 4 Property will progress as described herein.

**Exceedance of Maximum Assessment Could Trigger Assessment Prepayment and Optional Redemption**

The Service and Assessment Plan establishes a “Maximum Assessment” for each lot type in Improvement Area A-1 of the District as follows:

Lot Type	Maximum Assessment per unit
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1	\$32,838
2	\$37,013
3	\$42,857
4	\$49,536
5	\$39,047
6	\$45,212
7	\$52,259
8	\$57,690
9	\$30,901

See “APPENDIX B — Form of Service and Assessment Plan.”

Prior to the City approving a final subdivision plat, the Administrator will certify that such plat will not result in the Assessment per lot for any lot type exceeding the Maximum Assessment. If the Administrator determines that the resulting Assessment per lot for any lot type will exceed the Maximum Assessment, the Service and Assessment Plan provides that the person or entity filing the plat shall make a mandatory prepayment of the Assessments. See “ASSESSMENT PROCEDURES – Assessment Amounts.”

No plat has been filed for lots in Improvement Area A-1.3. In the event that the combined tax rate for entities taxing Improvement Area A-1.3 rises or the estimated build out value of lots in Improvement Area A-1.3 falls prior to the filing of a plat for Improvement Area A-1.3, a mandatory prepayment of the Assessments could be triggered at the time of filing of the plat. Any mandatory prepayment of the Assessments related to the exceedance of the Maximum Assessment may trigger an optional redemption of the Bonds by the City. See “DESCRIPTION OF THE BONDS – Redemption Provisions.”

### Competition

The housing industry in the Dallas-Fort Worth area is very competitive, and none of the Master Developer, the City, the City’s Financial Advisor or the Underwriter can give any assurance that the building programs which are planned will be completed in accordance with the Master Developer’s expectations. The competitive position of the Master Developer in the sale of developed lots or of any other homebuilder in the construction and sale of single-family residential units is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District. There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise be able to compete with the Development. A sample of competitive projects near the Development is below.

<u>Project Name</u>	<u># of Units</u>	<u>Proximity to District (Miles)</u>	<u>Developer</u>	<u>Date Started</u>	<u>Completed/ Expected Completion Date</u>	<u>Expected Home Sale Prices</u>	<u># of Units Remaining</u>
Ridge Ranch	1009	Approx. 2	Bloomfield Homes	4Q '18	Mid-2028	\$381K - \$525K	685
Caldwell Lakes	252	Approx. 5.5	Pat Atkins, K. Hovnanian Homes	3Q '22	Late 2026	\$340K - \$401K	228
Wellington Farms	247	Approx. 6	D.R. Horton	2Q '21	2Q 2023	\$291K - \$351K	45
Wellington Farms East	23	Approx. 6	D.R. Horton	2Q '21	1Q 2023	\$291K - \$351K	0

There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development.

### Recent Changes in State Law Regarding Public Improvement Districts; Failure of Developer to Deliver Required Notice Pursuant to Texas Property Code May Affect Absorption Schedule and Provide for Prepayments Causing Partial Redemptions of Bonds

The 87th Legislature passed HB 1543, which became effective September 1, 2021, and requires a person who proposes to sell or otherwise convey real property within a public improvement district to provide to the purchaser

of the property, before the execution of a binding contract of purchase and sale, written notice of the obligation to pay public improvement district assessments, in accordance with Section 5.014, Texas Property Code, as amended. In the event a contract of purchase and sale is entered into without the seller providing the notice, the intended purchaser is entitled to terminate the contract or purchase and sale. If the Master Developer or homebuilders within Improvement Area A-1 of the District do not provide the required notice and prospective purchasers of property within Improvement Area A-1 of the District terminate a purchase and sale contract, the anticipated absorption schedule may be affected. In addition to the right to terminate the purchase contract, a property owner who did not receive the required notice is entitled, after sale, to sue for damages for (i) all costs relative to the purchase, plus interest and reasonable attorney's fees, or (ii) an amount not to exceed \$5,000, plus reasonable attorney's fees. In a suit filed pursuant to clause (i), any damages awarded must go first to pay any outstanding liens on the property. In such an event, the outstanding Assessments on such property is expected to be prepaid. In the event of such prepayment, a partial redemption of the Bonds could occur. See "DESCRIPTION OF THE BONDS – Redemption Provisions." On payment of all damages respectively to the lienholders and purchaser pursuant to clause (i), the purchaser is required to reconvey the property to the seller. Further however, if the Master Developer or homebuilders within Improvement Area A-1 of the District do not provide the required notice and become liable for monetary damages, the anticipated buildout and absorption schedule may be affected. No assurances can be given that the projected buildout and absorption schedules presented in this Limited Offering Memorandum will be realized. The form of notice to be provided to homebuyers is attached to the Service and Assessment Plan. See "APPENDIX B – Form of Service and Assessment Plan."

### **Completion of Homes**

The cost and time for completion of homes by the homebuilders is uncertain and may be affected by changes in national, regional and local and economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes yet to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; force majeure (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the Master Developer.

### **Absorption Rate**

There can be no assurance that the Master Developer will be able to achieve its anticipated absorption rates. Failure to achieve the absorption rate estimates will adversely affect the estimated value of the Development, could impair the economic viability of the Development and could reduce the ability or desire of property owners in Improvement Area A-1 to pay the Assessments.

### **Risks Related to Current Increase in Costs of Building Materials**

As a result of low supply, high demand, and the ongoing trade war, there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. If the construction costs associated with completing homes in Improvement Area A-1 of the District are substantially higher than the estimated costs or if the homebuilders within Improvement Area A-1 of the District are unable to access building materials in a timely manner, it may affect the ability of such homebuilders in Improvement Area A-1 of the District to complete the construction of homes or pay the Assessments when due. There is no way to predict whether such cost increases or low supply of building materials will continue or if such continuance will affect the development of Improvement Area A-1 of the District.

### **TIRZ Annual Credit Amount and Marketing of the Development**

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraisal value in the TIRZ in any year. Any delay or failure by Lennar to develop its land within the District may result in a reduced amount of the TIRZ Revenues being available to credit the Assessments. TIRZ Revenues generated from the captured appraised value for each parcel in the TIRZ during the development of such parcel will result in a TIRZ Annual Credit Amount which is not sufficient to achieve the Targeted Net Average Annual

Installment for the Assessed Parcels. The TIRZ Annual Credit Amount will likely not provide for the Targeted Net Average Annual Installment until the second year that a home on such parcel is assessed. See “OVERLAPPING TAXES AND DEBT.”

It is uncertain what impact, if any, the TIRZ Annual Credit Amount application to the Annual Installments of the Assessments will have on the underwriting of residential mortgages. If the underwriter of a residential mortgage does not recognize the TIRZ Annual Credit Amount it may make it more difficult for a borrower to qualify for a home mortgage which could have a negative impact on home sales and projected absorption.

### **Loss of Tax Exemption**

The Indenture contains covenants by the City intended to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes. As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Indenture.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **Bankruptcy**

The payment of Assessments and the ability of the City to foreclose on the lien of a delinquent unpaid Assessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Assessments to become extinguished, bankruptcy of a property owner in all likelihood would result in a delay in prosecuting foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds, and the possibility that delinquent Assessments might not be paid in full.

### **Direct and Overlapping Indebtedness, Assessments and Taxes**

The ability of an owner of property within Improvement Area A-1 of the District to pay the Assessments could be affected by the existence of other taxes and assessments imposed upon the property. Public entities whose boundaries overlap those of the District currently impose ad valorem taxes on the property within Improvement Area A-1 of the District and will likely do so in the future. Such entities could also impose assessment liens on the property within Improvement Area A-1 of the District. The imposition of additional liens, or for private financing, may reduce the ability or willingness of the landowners to pay the Assessments.

### **Depletion of Bond Reserve Account of the Reserve Fund**

Failure of the owners of property within Improvement Area A-1 of the District to pay the Assessments when due could result in the rapid, total depletion of Bond Reserve Account of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Bond Reserve Account of the Reserve Fund. The Indenture provides that if, after a withdrawal from the Reserve Account of the Reserve Fund, the amount in the Bond Reserve Account of the Reserve Fund is less than the Bond Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Bond Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under “SECURITY FOR THE BONDS — Bond Reserve Account” herein.

### **Hazardous Substances**

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of



a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or “Superfund Act,” is the most well-known and widely applicable of these laws. It is likely that, should any of the parcels of land located in Improvement Area A-1 of the District be affected by a hazardous substance, the marketability and value of such parcels would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within Improvement Area A-1 of the District does not take into account the possible liability of the Master Developer for the remediation of a hazardous substance condition on the property in Improvement Area A-1 of the District. The City has not independently verified, and is not aware, that the Master Developer has such a current liability with respect to its property; however, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within Improvement Area A-1 of the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. The actual occurrence of any of these possibilities could significantly negatively affect the value of a parcel that is realizable upon a foreclosure.

See “THE DEVELOPMENT – Environmental” for discussion of the Phase One ESA performed on certain property within the District.

### **Exercise of Third Party Property Rights**

As described herein under “THE DEVELOPMENT – Existing Mineral Rights and Other Third Party Property Rights,” there are certain Third-Party Property Rights located within the District and not owned by the Master Developer. There may also be additional mineral rights and related real property rights reflected in the chain of title for the real property within the District recorded in the real property records of Dallas County.

The Master Developer does not expect the existence or exercise of any Third Party Property Rights, mineral rights or related real property rights in or around Improvement Area A-1 of the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within Improvement Area A-1 of the District to pay Assessments. However, none of the City, the Financial Advisor, or the Underwriter, provide any assurances as to such Developer expectations.

### **Regulation**

Development within the District may be subject to future federal, state and local regulations. Approval may be required from various agencies from time to time in connection with the layout and design of development in the District, the nature and extent of public improvements, land use, zoning and other matters. Failure to meet any such regulations or obtain any such approvals in a timely manner could delay or adversely affect development in the District and property values.

### **Bondholders’ Remedies and Bankruptcy**

In the event of default in the payment of principal or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, and upon the written request of at least 25% of the owners of the Bonds then Outstanding, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Bonds under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the City’s obligations under the Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There

is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The owners of the Bonds cannot themselves foreclose on property within Improvement Area A-1 of the District or sell property within Improvement Area A-1 of the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the owners of the Bonds further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the City to seek judicial foreclosure of its Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “BONDHOLDERS’ RISKS — Bankruptcy Limitation to Bondholders’ Rights” herein.

Any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a property owner within Improvement Area A-1 of the District pursuant to the Federal Bankruptcy Code could, subject to its discretion, delay or limit any attempt by the City to collect delinquent Assessments, or delinquent ad valorem taxes, against such property owner.

In addition, in 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued”, in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources.” While the Court recognized that the distinction between governmental and proprietary functions is not clear, the *Wasson* opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed *Wasson* for a second time and issued an opinion on October 5, 2018 clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory and common law guidance at the time of inception of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgement, is justiciable against a municipality.

The City is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that

leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

### **No Acceleration**

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

### **Bankruptcy Limitation to Bondholders' Rights**

The enforceability of the rights and remedies of the owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. The City is authorized under Texas law to voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946. The City may proceed under Chapter 9 if it (1) is generally not paying its debts, or unable to meet its debts, as they become due, (2) desires to effect a plan to adjust such debts, and (3) has either obtained the agreement of or negotiated in good faith with its creditors, is unable to negotiate with its creditors because negotiation is impracticable, or reasonably believes that a creditor may attempt to obtain a preferential transfer.

If the City decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the City would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the City is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, (5) all regulatory or electoral approvals required under Texas law are obtained and (6) the plan is in the best interests of creditors and is feasible. The rights and remedies of the owners of the Bonds would be adjusted in accordance with the confirmed plan of adjustment of the City's debt.

### **Tax-Exempt Status of the Bonds**

As further described in "TAX MATTERS" below, failure of the City to comply with the requirements of the Internal Revenue Code of 1986 (the "Code") and the related legal authorities, or changes in the federal tax law or its application, could cause interest on the Bonds to be included in the gross income of owners of the Bonds for federal income tax purposes, possibly from the date of original issuance of the Bonds. Further, the opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. The IRS has an ongoing program of auditing obligations that are issued and sold as bearing tax-exempt interest to determine whether, in the view of the IRS, interest on such obligations is included in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted if this IRS focus could lead to an audit of the Bonds or what the result would be of any such audit. If an audit of the Bonds is commenced, under current procedures parties other than the City would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the City legitimately disagree, may not be practicable. Any action of the IRS, regardless of the outcome, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds. Finally, if the IRS ultimately determines that the interest on the Bonds is not excluded from the gross income of Bondholders for federal income tax purposes, the City may not have the resources to settle with the IRS, the Bonds are not required to be redeemed, and the interest rate on the Bonds will not increase.

### **Management and Ownership**

The management and ownership of the Master Developer and related property owners could change in the future. Purchasers of the Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such

circumstances, a new developer or new officers in management positions may not have comparable experience in development projects comparable to that of the Development.

### **General Risks of Real Estate Investment and Development**

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the Development, as well as the operating revenues of the Master Developer, including those derived from the Development, are not within the control of the Master Developer. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Master Developer.

Furthermore, the operating revenues of the Master Developer may be materially adversely affected if specific conditions in the lot purchase contracts are not met. Contracts that the Master Developer may have with individual homebuilders are subject to a myriad of contractual conditions and contingencies, all or some of which if not complied with, could precipitate a termination or winding up of such contractual arrangement for the sale of lots, causing the Master Developer to possibly need to execute a different strategy for the development and sale of lots and residential units within the Development. As described herein, the Assessments are an imposition against the land only. Neither the Master Developer nor any other subsequent landowner is a guarantor of the Assessments and the recourse for the failure of the Master Developer or any other landowner to pay the Assessments is limited to the collection proceedings against the land as described herein. Failure to meet any lot purchase contract's conditions allows the applicable lot purchaser to terminate its obligation to purchase lots from the Master Developer and obtain its earnest money deposit back. See "THE DEVELOPMENT – Expected Build Out of the District" herein.

Development cannot be initiated or completed without the Master Developer obtaining a variety of governmental approvals and permits, some of which have already been obtained. Certain permits are necessary to initiate construction and to allow the occupancy of residences and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Master Developer.

### **Availability of Utilities**

The progress of development within the District is also dependent upon the City providing an adequate supply of water and sufficient capacity for the collection and treatment of wastewater. If the City fails to supply water and wastewater services to the property in the District, the Development of the land in the District could be adversely affected. See "THE DEVELOPMENT — Utilities."

### **Dependence Upon Master Developer**

The Master Developer, as the owner of the majority of the Assessed Parcels in Improvement Area A-1 of the District, currently has the obligation for payment of the Assessments. The ability of the Master Developer to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. There can be no assurances given as to the financial ability of the Master Developer to advance any funds to the City to supplement revenues from the Assessments if necessary, or as to whether the Master Developer will advance such funds.

Moreover, the City will pay the Master Developer, or the Master Developer's designee, from proceeds of the Bonds for project costs actually incurred in developing and constructing the Improvement Area A-1 Projects within Improvement Area A-1 of the District. See "THE IMPROVEMENT AREA A-1 PROJECTS – General" and "THE

DEVELOPMENT – Improvement Area A-1 Development Plan and Status of Development.” There can be no assurances given as to the financial ability of the Master Developer to complete such improvements.

The Master Developer will not guarantee or otherwise be obligated to pay debt service on the Bonds.

While the Master Developer has not been delinquent or in default of any loans, lines of credit or other obligations related to the Development or other development projects, affiliates of Huffines have executed three separate deeds in lieu of foreclosure to convey property to the respective lenders in connection with development ventures.

*Hunt County Projects:* In 2006 and 2007, affiliates of Huffines acquired 286.6 acres (the “Comanche Ridge Property”) and approximately 80.8 acres (the “Benbrook Property”) in Hunt County near Quinlan, Texas. Due to the market conditions in beginning in 2008, the Huffines affiliates for both properties executed a deed in lieu of foreclosure in favor of the respective lenders.

*Waterford on Lake Travis:* In 2013, a Huffines affiliate, HC Waterford Property, LLC acquired certain property in Travis County secured by a promissory note in the amount of \$11,049,390 from HC Waterford Property, LLC to American Bank of Texas with the intent to develop the property for residential use. Due in large part to the drought in Central Texas and low water levels that Lake Travis sustained for much of the ownership period, the Huffines affiliate was unable to attract builders for the project and ultimately deeded the property back to the American Bank of Texas.

### **Potential Future Changes in State Law Regarding Public Improvement Districts**

During prior Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of the Texas Senate and the Texas House of Representatives which suggest or recommend changes to the PID Act relating to oversight of bonds secured by special assessments, including adopting requirements relating to levels of build out or adding State level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. The 88th Legislative Session of the State concluded on May 29, 2023, without any legislation being passed by either chamber of the Texas legislature recommending oversight of bonds secured by assessments. The Governor called a special legislative session, which convened on May 29, 2023. The special session agenda does not currently include any legislation related to the oversight of bonds secured by assessments; however, it is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds.

### **Use of Appraisal**

Caution should be exercised in the evaluation and use of valuations included in the Appraisal. The Appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation and specified therein. The estimated market value specified in the Appraisal is not a precise measure of value, but is based on a subjective comparison of related activity taking place in the real estate market. The valuation set forth in the Appraisal is based on various assumptions of future expectations and while the Appraiser’s forecasts for properties in the District is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. The Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in the District.

In performing its analysis, the Appraiser makes numerous assumptions with respect to general business, economic and regulatory conditions and other matters, many of which are beyond the Appraiser’s, Underwriter’s and City’s control, as well as certain factual matters. Furthermore, the Appraiser’s analysis, opinions and conclusions are necessarily based upon market, economic, financial and other circumstances and conditions existing prior to the valuation and date of the Appraisal. The Appraisal is not a determination of benefit with respect to the Improvement Area C-1 Projects on the property within Improvement Area C-1.

## **Risk from Weather Events**

All of the State, including the City and the District, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, flooding, heavy rains and freezes, including events similar to the severe winter storm that the continental United States experienced in February 2021, which resulted in disruptions in the Electric Reliability Council of Texas power grid and prolonged blackouts throughout the State. It is impossible to predict whether similar events will occur in the future and the impact they may have on the City or the District, including land within the District.

## **100-Year Flood Plain**

According to the FEMA FIRM Community Panel Number 48113C0530K and 48113C0535K, each dated July 7, 2014, portions of the subject property, on the north, east, and south, are located in Zone X and areas on the central portion of the property are within the floodway and Zone AE – within the 100-year floodplain. Approximately 572 acres in the District were in the effective Zone AE floodplain prior to construction. FEMA approved a Conditional Letter of Map Revision (Case No. 21-06-2311R) dated January 7, 2022 that proposed floodplain reclamation. The Master Developer expects to reclaim approximately 72 acres of land in the District, including 11.9 acres in Improvement Area A-1, 19.3 acres in Improvement Area C-1 and 11.1 acres in Improvement Area C-2 from the floodplain. Construction has been completed and a Letter of Map Revision (LOMR), Case No. 22-06-2973P, was approved by FEMA on April 14, 2023. Based on this approved LOMR, approximately 11.9 acres in Improvement Area A-1, 0 acres in Improvement Area C-1, and 0 acres in Improvement Area C-2, are located within the Zone AE floodplain. Construction has also been completed in Area A-1 and a second LOMR, Case No 23-06-1636P, is currently being processed by FEMA that will remove the 11.9 acres from Improvement Area A-1 out of the Zone AE floodplain. The reclaimed land in Improvement Area A-1 will be for lot development for portions of Phases 1C, 1D and 1F. This LOMR will revise 47 lots in Improvement Area A-1 from Zone AE to Zone X, in conformance with the As-Built construction plans. The remainder of the areas in the floodplain will be dedicated to the City and used as open space.

FEMA will from time to time revise its FIRMs. None of the City, the Underwriter, or the Master Developer make any representation as to whether FEMA may revise its Flood Insurance Rate Maps, whether such revisions may result in homes that are currently outside of the 100-year flood plain from being included in the 100-year flood plain in the future, or whether extreme flooding events may occur more often than assumed in creating the 100-year flood plain.

## **Judicial Foreclosures**

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted (subject to provisions set forth in the Indenture) to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and, in such event, there could be an additional delay in payment of the principal of and interest on the Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property; the proceeds of any sale of property within Improvement Area A-1 of the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See “OVERLAPPING TAXES AND DEBT.” Collection of delinquent taxes, assessments and the Assessments may be adversely affected by the effects of market conditions on the foreclose sale price, and by other factors, including taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

## **No Credit Rating**

The City has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of

issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Limited Secondary Market for the Bonds**

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event an Owner thereof determines to solicit purchasers for the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current Owners of the Bonds, depending on the progress of development of the District subject to the Assessments, existing real estate and financial market conditions and other factors.

## **TAX MATTERS**

**The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.**

### **Tax Exemption**

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific preference item for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Indenture that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Indenture pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Bonds, with respect to matters solely within the knowledge of the City and such parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Indenture or if such representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

## **Additional Federal Income Tax Considerations**

*Collateral Tax Consequences.* Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

For tax years beginning after December 31, 2022, an “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

*Tax Accounting Treatment of Original Issue Premium.* The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

*Tax Accounting Treatment of Original Issue Discount.* The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”). In such case, the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Limited Offering Memorandum.



In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Limited Offering Memorandum. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

*Tax Legislative Changes.* Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax counsel.

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General to the effect that the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State, payable from the Trust Estate and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinion of Bond Counsel, to a like effect.

Bracewell LLP serves as Bond Counsel to the City. Locke Lord LLP serves as Underwriter's Counsel. The legal fees paid to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

### **Legal Opinions**

The City will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding special obligations of the City. The City will also furnish the legal opinion of Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding special obligations of the City under the Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the Bonds, including principal thereof and interest thereon, are payable from and secured by a pledge of and lien on the Pledged Revenues. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the matters described above under the

caption “TAX MATTERS.” A copy of the opinion of Bond Counsel is attached hereto as “APPENDIX C —Form of Opinion of Bond Counsel.”

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Limited Offering Memorandum under the captions or subcaptions “PLAN OF FINANCE — The Bonds”, “DESCRIPTION OF THE BONDS,” “SECURITY FOR THE BONDS” (except for the last paragraph under the subcaption “General”), “ASSESSMENT PROCEDURES” (except for the subcaptions “Assessment Methodology” and “Assessment Amounts”), “THE DISTRICT,” “TAX MATTERS,” “LEGAL MATTERS — Legal Proceedings,” “LEGAL MATTERS — Legal Opinions,” “CONTINUING DISCLOSURE” (except for the subcaption “The Master Developer”), “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS” and APPENDIX A and such firm is of the opinion that the information relating to the Bonds, the Bond Ordinance, the Assessment Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance, the Assessment Ordinance and the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **Litigation — The City**

At the time of delivery and payment for the Bonds, the City will certify to the Underwriter that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or overtly threatened against the City affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof, in accordance with the Indenture, or the collection or application of Assessments securing the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Assessment Ordinance, the Indenture, any action of the City contemplated by any of the said documents, or the collection or application of the Pledged Revenues, or in any way contesting the completeness or accuracy of this Limited Offering Memorandum or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any documents relating to the Bonds.

#### **Litigation — The Master Developer**

At the time of delivery and payment for the Bonds, the Master Developer will certify to the Underwriter that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the knowledge of the Master Developer, threatened against or affecting the Master Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Master Developer or its members or would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the PID Reimbursement Agreement, the Development Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (ii) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”).

#### **Litigation — Lennar**

At the time of delivery and payment for the Bonds, Lennar will certify to the Underwriter that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the knowledge of Lennar, threatened against or affecting Lennar wherein an unfavorable decision, ruling or finding would have a Material Adverse Effect on the financial condition or operations of Lennar or would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the PID

Reimbursement Agreement, the Development Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (ii) the tax-exempt status of interest on the Bonds.

### **SUITABILITY FOR INVESTMENT**

Investment in the Bonds poses certain economic risks. See “BONDHOLDERS’ RISKS”. The Bonds are not rated by any nationally recognized municipal securities rating service. No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Additional information will be made available to each prospective investor, including the benefit of a site visit to the City and the opportunity to ask questions of the Master Developer, as such prospective investor deems necessary in order to make an informed decision with respect to the purchase of the Bonds.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy.” Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery.

### **NO RATING**

No application for a rating on the Bonds has been made to any rating agency, nor is there any reason to believe that the City would have been successful in obtaining an investment grade rating for the Bonds had application been made.

### **CONTINUING DISCLOSURE**

#### **The City**

Pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), the City, the Administrator, and HTS Continuing Disclosure Services, a division of Hilltop Securities, Inc. (in such capacity, the “Dissemination Agent”) have entered into a Continuing Disclosure Agreement (the “City Disclosure Agreement”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the City Disclosure Agreement, certain financial information and operating data relating to the City (collectively, the “City Reports”). The specific nature of the information to be contained in the City Reports is set forth in “APPENDIX D-1 — Form of City Disclosure Agreement.” Under certain circumstances, the failure of the City to comply with its obligations under the City Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the City Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The City has agreed to update information and to provide notices of certain specified events only as provided in the City Disclosure Agreement. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided in this Limited Offering Memorandum, except as provided in the City Disclosure Agreement. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the City Disclosure Agreement or from any statement made pursuant to the City Disclosure Agreement. The City has no obligations or liabilities arising from the Master Developer Disclosure Agreement (defined below).

## **The Master Developer**

The Master Developer, the Administrator, and the Dissemination Agent have entered into a Continuing Disclosure Agreement (the “Master Developer Disclosure Agreement”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Master Developer Disclosure Agreement, certain information regarding the Development and the Improvement Area A-1 Projects (collectively, the “Master Developer Reports”). The specific nature of the information to be contained in the Master Developer Reports is set forth in “APPENDIX D-2 — Form of Master Developer Disclosure Agreement.” Under certain circumstances, the failure of the Master Developer or the Administrator to comply with its obligations under the Master Developer Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Master Developer Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance. The Master Developer Disclosure Agreement is a voluntary agreement made for the benefit of the holders of the Bonds and is not entered into pursuant to the Rule.

The Master Developer has agreed to provide (i) certain updated information to the Administrator, which consultant will prepare and provide such updated information in report form and (ii) notices of certain specified events, only as provided in the Master Developer Disclosure Agreement. The Master Developer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided in this Limited Offering Memorandum, except as provided in the Master Developer Disclosure Agreement. The Master Developer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Master Developer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Master Developer Disclosure Agreement or from any statement made pursuant to the Master Developer Disclosure Agreement.

## **UNDERWRITING**

FMSbonds, Inc. (the “Underwriter”) has agreed to purchase the Bonds from the City at a purchase price of \$\_\_\_\_\_ (the par amount of the Bonds, less a reoffering discount of \$\_\_\_\_\_ less an underwriting discount of \$\_\_\_\_\_, which includes Underwriter’s Counsel’s fee of \$\_\_\_\_\_). The Underwriter’s obligations are subject to certain conditions precedent and if obligated to purchase any of the Bonds the Underwriter will be obligated to purchase all of the Bonds. The Bonds may be offered and sold by the Underwriter at prices lower than the initial offering prices stated on the inside cover page hereof, and such initial offering prices may be changed from time to time by the Underwriter.

## **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

## **LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

The PID Act and Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provide that the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFI Act requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “NO RATING” above. In addition, the PID Act and various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings

and loan associations. The Bonds are eligible to secure deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes.

## INVESTMENTS

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both Texas law and the City's investment policies are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash

invested in obligations described in clauses (1) through (6) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset and fund type invested at the beginning and end of the reporting period by the type of asset and fund type invested, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers’ with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City’s investment policy; (6) provide specific investment training for the officers of the City; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the entity’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

### **INFORMATION RELATING TO THE TRUSTEE**

The City has appointed Wilmington Trust, National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the City of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the City. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee may be found at its website at [www.wilmingtontrust.com](http://www.wilmingtontrust.com). Neither the information on the Trustee’s website, nor any links from that website, is a part of this Limited Offering Memorandum, nor should any such information be relied upon to make investment decisions regarding the Bonds.

## **SOURCES OF INFORMATION**

### **General**

The information contained in this Preliminary Limited Offering Memorandum has been obtained primarily from the City's records, the Master Developer and its representatives, Lennar and its representatives, and other sources believed to be reliable. In accordance with its responsibilities under the federal securities law, the Underwriter has reviewed the information in this Preliminary Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Preliminary Limited Offering Memorandum or any sale hereunder will create any implication that there has been no change in the financial condition or operations of the City, the Master Developer or Lennar described herein since the date hereof. This Preliminary Limited Offering Memorandum contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. The summaries of the statutes, resolutions, ordinances, indentures and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Source of Certain Information**

The information contained in this Preliminary Limited Offering Memorandum relating to the description of the Improvement Area A-1 Projects, the Development and the Master Developer generally and, in particular, the information included in the sections captioned "PLAN OF FINANCE - Development Plan, Status of Development and Plan of Finance" (as it pertains to the Master Developer and Improvement Zone A and Improvement Zone B), "THE IMPROVEMENT AREA A-1 PROJECTS," "THE DEVELOPMENT" (as it pertains to the Master Developer, Improvement Zone A and Improvement Zone B), "THE MASTER DEVELOPER" (as it pertains to the Master Developer), "BONDHOLDERS' RISKS" (only as it pertains to the Master Developer, the Improvement Area A-1 Projects and the Development) and "LEGAL MATTERS — Litigation — The Master Developer" has been provided by the Master Developer.

The information contained in this Preliminary Limited Offering Memorandum relating to the description of the Improvement Zone C of the Development and Lennar generally and, in particular, the information included in the sections captioned "THE DEVELOPMENT" (as it pertains to Lennar) and "LEGAL MATTERS — Litigation — Lennar" has been provided by Lennar.

### **Experts**

The information regarding the Service and Assessment Plan in this Preliminary Limited Offering Memorandum has been provided by P3Works and has been included in reliance upon the authority of such firm as experts in the field of development planning and finance.

The information regarding the Appraisal in this Preliminary Limited Offering Memorandum has been provided by the Appraiser, and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property.

### **Updating of Limited Offering Memorandum**

If, subsequent to the date of the Limited Offering Memorandum, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Limited Offering Memorandum to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the City will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Limited Offering Memorandum satisfactory to the Underwriter; provided, however, that the obligation of the City to so amend or supplement the Limited Offering Memorandum will terminate when the City delivers the Bonds to the Underwriter, unless the Underwriter notifies the City on or before such date that less than all of the Bonds have been sold to ultimate customers; in which case the



City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

#### **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Preliminary Limited Offering Memorandum constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21e of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "anticipate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED HEREIN TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

#### **AUTHORIZATION AND APPROVAL**

The City Council has approved by resolution the form and content of this Preliminary Limited Offering Memorandum and the City Council has authorized this Preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Bonds. In the Bond Ordinance, the City Council will approve the form and content of the Final Limited Offering Memorandum.

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**APPENDIX A**  
**FORM OF INDENTURE**

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**APPENDIX B**

**FORM OF SERVICE AND ASSESSMENT PLAN**

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**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

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**APPENDIX D-1**

**FORM OF CITY DISCLOSURE AGREEMENT**

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**APPENDIX D-2**

**FORM OF MASTER DEVELOPER DISCLOSURE AGREEMENT**

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**APPENDIX E**

**APPRAISAL**

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**APPENDIX F**

**FORM OF PID REIMBURSEMENT AGREEMENT**

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**APPENDIX G**

**PHOTOGRAPHS OF COMPLETED DEVELOPMENT IN THE DISTRICT**

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